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# Studies in the Evolution of Industrial Society

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This Book is Dedicated to

MR. JUSTICE OLIVER WENDELL HOLMES

OF THE SUPREME COURT OF THE UNITED STATES

IN APPRECIATION OF THE ENLIGHTENED PHILOSOPHY

SO CONSPICUOUS IN HIS OPINIONS, WHICH IS LAYING

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## PREFACE

THE following words were used in the "Editor's Preface" to the Citizen's Library of Economics, Politics, and Sociology: "It is the conviction of the Editor that scientific work in the field of the humanities may generally be made interesting to intelligent citizens through cultivation of clearness in statement and literary style. . . . It is desired to lay emphasis on the fact that while the sciences of Economics, Politics, and Sociology are of concern to the citizen and make appropriate the title 'Citizen's Library,' in no case will the interests of science be sacrificed to popularity. The aim will be to bring every volume in the Library up to the present standard of science, and it is hoped that the Library will in more than one instance push forward the boundaries of knowledge." These words express the ideal which the author has kept before him in the preparation of the present volume. This statement is made, not because the author ventures to hope that he has fully attained his ideal, but because the statement of the purpose which has constantly been kept in view may prove

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helpful to the reader. Many difficult topics are discussed in these pages, and an immense field is traversed. This field belongs largely to that general borderland where economics, ethics, biology, and sociology meet. At the same time, in its preparation the writer has never forgotten that he is writing as an economist. This borderland will surely prove scientifically fruitful territory, and it must be worked by men who approach it from the viewpoint of the different sciences mentioned. If the work is well done in each case, the scientific products will vary, but will constitute an harmonious whole.

A list is appended of the author's articles and published addresses which have been used to a greater or less extent in this volume, and the author makes his acknowledgments with thanks to the publishers for permission to reprint. Notwithstanding the fact that the list is a rather long one, the book is essentially new. A large part of it has never appeared in print before, and even when previous articles have been used, they have generally been greatly altered and enlarged. The style of a speaker addressing an audience is preserved in the papers on "Competition; its Nature, its Permanency, and its Beneficence" and "Industrial Liberty," which the author delivered as presi-

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dent of the American Economic Association in the years 1900 and 1901 respectively. Although elsewhere the author speaks in the third person, there seemed to him more to be gained than lost by so doing.

The general plan of the book is probably made sufficiently obvious by a perusal of the Table of Contents. Part I gives a general survey of the evolution of industrial society; Part II treats specific problems which are problems of industrial evolution. These problems are all suggested in Part I, and they are distinctively problems which have been the outcome of industrial evolution. This thought of industrial evolution has been constantly kept in mind, and gives unity to the book.

The author is well aware that there is scarcely a chapter in the book which could not be expanded into a volume. He hopes, however, that he has been able to keep a due proportion between the various topics discussed, and that by following this method he has been able to lay a foundation for future work.

Acknowledgments for valuable suggestions are due to Professors J. Mark Baldwin, Charles J. Bullock, Thomas N. Carver, Frank A. Fetter, Franklin H. Giddings, E. A. Ross, and to Dr. G. R. Wicker.

## PREFACE

The author's acknowledgments are due to Mr. Solomon Huebner, Graduate Scholar in Economics, for permission to use the excellent tables of inheritance tax legislation in foreign countries, which he has prepared as part of a thorough monographic treatment of modern inheritance taxation. Finally, it is the author's duty and pleasure to express his appreciation for the varied assistance given him by his colleague, Mr. Max O. Lorenz, Assistant in Economics. The untiring and very efficient efforts of Mr. Lorenz have lightened his labors and added to the value of this book.

RICHARD T. ELY.

MADISON, WISCONSIN,

March, 1903.

## LIST OF THE AUTHOR'S PUBLICATIONS

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MONOPOLIES AND TRUSTS. *International Journal of Ethics*, April, 1900.

AN ANALYSIS OF THE STEEL TRUST. *The Cosmopolitan*, August, 1901.

MUNICIPAL OWNERSHIP OF NATURAL MONOPOLIES. *North American Review*, March, 1901.

INHERITANCE OF PROPERTY. *North American Review*, July, 1891.

UNITED STATES INDUSTRIAL COMMISSION'S REPORT ON LABOR. *Yale Review*, November, 1902.

HOW TO AVERT STRIKES. *Boston Evening Transcript*, Aug. 3, 1901; also elsewhere.

INDUSTRIAL LIBERTY. Address delivered as President of the American Economic Association, Washington, D.C., Dec. 27, 1901. Printed in Publications of the American Economic Association, 1902.

REVIEW OF PROFESSOR J. MARK BALDWIN'S "SOCIAL AND ETHICAL INTERPRETATIONS." *The Expositor*, March, 1898.

OUR NEIGHBORS. Chapter VII, in "Social Law of Service." New York, 1896.

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PART I

GENERAL SURVEY

# STUDIES IN THE EVOLUTION OF INDUSTRIAL SOCIETY

## CHAPTER I

### THE IDEA OF EVOLUTION IN SOCIETY

THE history of ideas is the history of man. Ideas distinguish man from all lower animals, and all that is significant in human history may be traced back to ideas. From time to time, in the history of mankind, an idea of such tremendous import has found acceptance in the minds and hearts of men that it has been followed by a new era in the progress of the human race. The idea of Jehovah, which found acceptance among the ancient Hebrews, was one of these germinal ideas, which made the world ever thereafter a different world. That idea has been moulding human history ever since it was first clearly received and promulgated. The idea of itself, from the time of its reception up to the present, has been growing larger, and more elevated and refined. It has undergone a perpetual process of purification, and has been one of the great psychical forces which give shape to human history. Christianity came into the world

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as the outcome of another grand idea, and since its reception the world has been a new world. Its mighty significance has been recognized in dating all events with reference to the founder of that religion. Everything which happens is either before Christ or after Christ. Altogether apart from any peculiar belief in the mission and person of Christ, this could not be otherwise. Passing on down the stream of human history, we come to still another idea which has made the world different from what it was before, and is thus giving direction to human history. This is the idea of evolution, the general acceptance of which we must recognize as the distinguishing characteristic of nineteenth century thought.

This idea of evolution is one of long growth.<sup>1</sup> Some foreshadowings may be found in the early philosophy of the Greeks, and the idea recurs from time to time in the history of philosophical speculation. By the time of Charles Darwin, many naturalists had become convinced in a general way that there was a development from the lower to the higher forms of life, but they had not been able to tell how it had taken place. The peculiar service of Darwin was the explanation of the method of biological development by means of the theory of natural selection. It was in 1859 that he published his great work entitled, "The Origin of Species by Means of Natural Selection,"

<sup>1</sup> For a history of the idea, see Osborn, "From the Greeks to Darwin," 2d ed., New York, 1899.

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and so convincing was the evidence he submitted that the general acceptance of the idea of evolution dates from the publication of this book. It is interesting to note that both Darwin and Wallace, who discovered the theory of natural selection independently, received special assistance from Malthus' work on population.

Darwin's researches were restricted almost altogether to the evolution of the individual organism. Even now, when evolution is mentioned, we think of the evolution of the individual. It is from this standpoint that Huxley — Darwin's bulldog, as he was called — defines the term: "Evolution or development is, in fact, at present employed in biology as a general name for the history of the steps by which any living being has acquired the morphological and physiological characters which distinguish it."<sup>1</sup> A recent writer gives the following definition: "By evolution we mean to-day not only that all living forms have descended from those living in the past, but also that new forms have arisen from the old ones."<sup>2</sup> This writer says further that from the ranks of biologists few now arise to question the correctness of the theory of evolution, although many no longer regard Darwin's theory of natural selection as a sufficient

<sup>1</sup> "Evolution in Biology," 1878, Collected Essays, New York, 1896, Vol. II, p. 196.

<sup>2</sup> "Darwinism in the Light of Modern Criticism," by Thomas Hunt Morgan, Ph.D., Professor of Biology, Bryn Mawr College, *Harper's Monthly Magazine*, February, 1903, p. 476.



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explanation of the method of development. The biologists, however, while confining themselves for the most part to the physiological and individual aspects of evolution, knew well enough that it had a wider meaning for man. To expound this wider and deeper meaning was the work of Herbert Spencer.

Four years before Darwin published his "Origin of Species," Spencer published his "Principles of Psychology," in which he enunciates the principle of mental evolution. Two years later (1857) he made a much wider application of the idea in an essay entitled, "Progress: Its Law and Cause."<sup>1</sup> The same process, he says in this essay, we may see "alike in the earliest changes of the Universe to which we can reason our way back; and in the earliest changes which we can inductively establish; it is seen in the geologic and climatic evolution of the Earth, and of every single organism on its surface; it is seen in the evolution of Humanity, whether contemplated in the civilized individual, or in the aggregation of races; it is seen in the evolution of Society in respect alike of its political, its religious, and its economical organization; and it is seen in the evolution of all those endless concrete and abstract products of human activity which constitute the environment of our daily life." It is probably due to Herbert Spencer

<sup>1</sup> *Westminster Review*, April, 1857, p. 255. Reprinted in "Illustrations of Universal Progress; a Series of Discussions," by Herbert Spencer, New York, 1874.

## THE IDEA OF EVOLUTION IN SOCIETY

more than to any other one person that we have come to recognize the applicability of evolution to the various departments of the social life of man. We have an evolution of the body, and also an evolution of the mind, and we have an evolution of society, which is the highest form of life.<sup>1</sup>

Evolution in its broadest terms is defined by Spencer as follows, "Evolution is an integration of matter and concomitant dissipation of motion; during which the matter passes from an indefinite, incoherent homogeneity to a definite, coherent heterogeneity; and during which the retained motion undergoes a parallel transformation."<sup>2</sup> This definition, although not exhaustive, is especially helpful as an approach to the study of the evolution of society.

Early society is little more than a mere mass of men, composed of individuals with like occupations, like habits, like beliefs. In a few individuals we see all. Even in physical characteristics, it is altogether probable that differences among highly civilized men are far more numerous. This is especially noticeable in the matter of color of hair

<sup>1</sup> For an interesting discussion of the relations of the individual man to society, see a paper by the late Professor Joseph Le Conte, entitled, "The Effects of the Theory of Evolution on Education," published in the Proceedings and Addresses of the National Educational Association, held in Denver, 1895, p. 149.

<sup>2</sup> "First Principles of a New System of Philosophy," 2d ed., New York, 1868, p. 396. See also an article by Spencer, entitled "What is Social Progress?" *Nineteenth Century Magazine*, Vol. XLIV, p. 348.

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and eyes. Careful measurements of a large number of white and negro children have shown that there is a greater diversity among white children in all their normal physical characters.<sup>1</sup> Of course, even the rudest society that we know is not entirely homogeneous: there is a differentiation on account of sex, age, and natural ability; the medicine men are different from the rest of the tribe, and the various individuals are recognized as belonging to different marriage groups; and yet, on the whole, one man lives about the same life as does every other man.<sup>2</sup> In a hunting tribe, all of the men are hunters and warriors. But in a highly developed society, we find a vast and growing number of groups, and within the groups individuality becomes more marked. A military life, a public life, a professional life, or a business or industrial life, with its thousands of occupations, — each puts its peculiar stamp on men, mentally and physically.

This, however, is but a part of Spencer's definition. Along with this differentiation there is also

<sup>1</sup> Dr. A. Hrdlicka, in the *American Anthropologist*, Vol. XI, p. 347.

<sup>2</sup> "The New Zealander . . . is acquainted with every department of knowledge common to his race: he can build his house, can make his canoe, his nets, his hooks and lines; he can manufacture snares to suit every bird, and form his traps; he can fabricate his garments, and every tool and implement required. It is not a single individual, or a few only, who are adepts in these various arts, but all." — TAYLOR, "TE IKA A MAUI, or New Zealand and its Inhabitants," London, 2d ed., 1870, p. 3.

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an integration, a binding together of the various groups. Early society is incoherent. When we read of a tribe<sup>1</sup> that has no home, nor hut, nor any fixed habitation, living only beneath the trees, and moving from place to place, according to the seasons and the search for wild fruits and roots, it is evident that the destruction of any part of the group would make no vital change in the life of the remainder. Not so in a developed society. Specialization has brought with it interdependence. Let the class that devotes itself to transportation, for example, cease working, and the disastrous and far-reaching consequences to the rest of the community can scarcely be imagined. Civilized society is coherent.

This view of the matter undoubtedly tells us something that is true about the development of society. We are convinced that there has been a social evolution, and that this has meant a growing complexity and coherence, and yet that does not reveal to us the causes that are at work. Neither Mr. Spencer nor any one else has been able to explain the actual process of social evolution in a way that has been generally accepted. Attempts have been made to carry over the principle of natural selection from biology into the study of the social life of man. Bagehot's "Physics and Politics,"

<sup>1</sup> "The Aborigines of the Province of Santa Marta, Columbia," *American Anthropologist* (New Series), Vol. III, p. 631, in an article bearing the above title, by Francis C. Nicholas, who gives a translation of part of a work written by a Spanish priest in 1739.

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and Kidd's "Social Evolution" may be cited as illustrations. But before the method of social evolution is worked out satisfactorily, probably a good deal of further investigation will have to be carried on in the separate departments of social life.

Usually, when we speak of social evolution, we have in mind social progress, but it may also imply social degeneration. Just as an individual may degenerate into an idiot or a criminal, a whole people may sink into decay. The history of the ancient world is full of illustrations. But in many cases such a retrogression seems to be a part of a world progress. Greece and Rome decayed after their civilizations had borne fruit. Similarly, within each society, there is an atrophy of institutions no longer needed by the developing organism. A modern city has meant the decay of town meetings; the movement toward large scale production has meant the crushing out of many formerly flourishing enterprises.<sup>1</sup> But may not mankind as a whole degenerate? May not the human species finally arrive at old age and death? We who have faith in human nature will agree with Schäffle<sup>2</sup> that, although the physical conditions of the earth may so change as to make a high civilization impossible,

<sup>1</sup> See, on this point, "Evolution by Atrophy in Biology and Sociology," by Demoor and others, New York, 1899. (Translated from the French by Mrs. Chalmers Mitchell.)

<sup>2</sup> *Bau und Leben des socialen Körpers*, Tübingen, 1878, Vol. II, p. 445.

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yet while physical conditions remain as they now are, a general human retrogression is not conceivable.

The life of man in society is a unit, but, on account of the limitations of the mind, it is necessary for purposes of study to divide it into parts, and to examine them separately. Thus, we have the social life spheres of literature, religion, politics, industry, etc. The work of those sciences which may be broadly classed as the humanities has in recent years largely consisted in tracing out the evolution in the separate departments of social life. Even ethics and religion are now conceived of as undergoing evolution both in theory and practice.<sup>1</sup> It is with the industrial life sphere that we are especially concerned.

<sup>1</sup> See article on "Evolution of Religion," in the "Dictionary of Philosophy and Psychology," edited by James Mark Baldwin, New York, 1902, where many references are given.

## CHAPTER II

### EVOLUTION AND INDUSTRIAL SOCIETY

THE social organism, we have said, is a unit, but we may study it from various points of view in the same way that we may study the human body with special reference to the nervous system or the digestive system. The term "industrial society" is merely a short way of saying, "society viewed from the industrial standpoint." How much is included from this point of view? The tools and processes of production and the organization of industry at once occur to us. But in addition to these we must take into consideration the ways in which industry binds men together, forms them into classes, and how it affects their health and well-being. Then there are certain mental and moral characteristics that are of importance from this point of view, such as foresight, industry, honesty, and capacity for social coöperation; and finally, certain legal institutions, such as private property, inheritance, contract, and personal freedom, are the very corner-stones of our present economic life. The study of the industrial life sphere, therefore, is more than a study of machines and factories.

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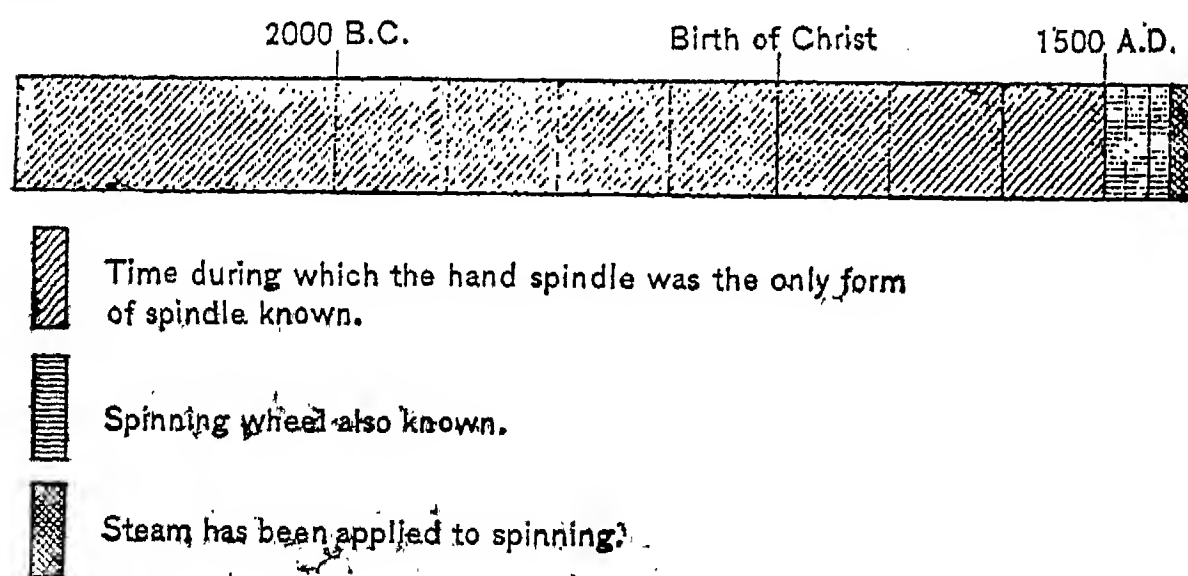
Most people who think at all are well aware that changes have recently been going on in the economic world about them. The "trust" movement is so recent and so striking that it is observed by all. Yet this by no means implies a prevalence of the evolutionary point of view in the consideration of our industrial life. Very many look upon these changes as something to be deplored, as an abnormal condition, to be contrasted with a former long-continued period of independence and opportunity. The evolutionary point of view, on the contrary, emphasizes the fact that these present changes are merely a link in a great chain of continuous development that extends back to the beginning of human existence and that must continue in the future. The evolution of industrial society signifies a continuous change, a perpetual flux of economic relations and institutions. It is true, these changes do not always proceed with the same rapidity. They appear to be especially rapid just now, as they have been throughout the whole of the nineteenth century. It is, in fact only within the last one hundred years that the industrial ties binding men together have become so extensive and intensive that the term "industrial society" has become familiar.

The improvements in the mechanical instruments of production are perhaps the most evident of the changes that constitute economic evolution. We need merely contrast the slow work of the mediæval copyists with the work of a modern



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press that is capable of printing and delivering, folded, twelve thousand twenty-four page papers per hour; or think first of the Iroquois woman, tilling the soil with the shoulder blade of a deer, and then think of a modern steam plough; or compare the simple loom of the Pueblo woman with the complex machinery of a modern cotton factory; or again, compare the human carriers employed by the ancient Mexican merchants, transporting<sup>1</sup> fifty pounds each five or six leagues a day, with the long line of cars in a modern freight train. How recent in the world's history these improvements in technical processes really are, is strikingly illustrated by the following diagram:<sup>2</sup>—



We ordinarily think of the spinning-wheel as something very old and primitive, yet the period

<sup>1</sup> "The Despatches of Hernando Cortes," translated from the Spanish by George Folsom, New York and London, 1843, p. 113; also Prescott, "History of the Conquest of Mexico," New York, 1854, Vol. I, p. 348.

<sup>2</sup> From the First Report of the Labor Museum at Hull House, Chicago, 1901-1902, p. 9.

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during which it has been used is but a small fraction of the time in which man depended on the hand spindle. We are told<sup>1</sup> that many of the Italian women who come to Chicago have never seen spinning-wheels, and look upon them as a new and wonderful invention. The period during which steam has been applied to cotton manufacture is even still shorter (since 1785).

An increasing division of labor and of occupations has accompanied these technical improvements. Long ago Adam Smith pointed out that what is the work of one man in a rude state of society is generally the work of several in an improved one.<sup>2</sup> The degree to which this process is being carried is strikingly illustrated by the growth in the actual number of occupations which people pursue for a living. A Boston directory for 1789 gives less than two hundred occupations; at the present time there are probably as many as ten thousand.<sup>3</sup> This will not seem at all incredible when we consider the extent of the present

<sup>1</sup> From the First Report of the Labor Museum at Hull House, Chicago, 1901-1902, p. 9.

<sup>2</sup> It happens, however, that in the particular illustration that he chose, the number of occupations has recently been growing less. In the making of pins there were seventeen operations by the hand method, and now by the machine method there are only ten. (Thirteenth Annual Report of the United States Commissioner of Labor, 1898, Vol. I, p. 63.)

<sup>3</sup> Judging from the German census of occupations (see Bücher's "Industrial Evolution," translated by S. M. Wickett, New York, 1901, p. 324). Our own census of 1900 gives only 303 groups of occupations, which is less than the number given in the census of 1870.

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subdivision of one particular occupation of the earlier period. Instead of one or two men performing all the operations in the making of a boot, we have to-day a front cutter, back cutter, back stay cutter, top cutter, facing cutter, lining cutter, sorter and buncher, size and case marker, stay skiver, top skiver, crimper, front trimmer, top front stitcher, top back stitcher, and so on to as many as one hundred and thirteen.<sup>1</sup> The making of a hand rake is divided among sawyers, turners, tenoners, truckmen, straighteners, binders, borers, sanders, planers, moulders, trimmers, finishers, etc.<sup>2</sup>

Illustrations of the division of occupations can be given from their own experience by many persons now living. The writer recalls a man who was at the same time doctor, preacher, and farmer, and another who was a farmer, shoemaker, and carpenter. De Tocqueville, who visited the United States in 1831, says that almost all the farmers combined some trade with agriculture.<sup>3</sup> School-teacher and surgeon is a combination found in early Boston, and in England it was at one time customary for barbers to be also surgeons.<sup>4</sup>

Not only has there been a constant tendency to

<sup>1</sup> Thirteenth Annual Report of the United States Commissioner of Labor, 1898, Vol. II, p. 529.

<sup>2</sup> *Ibid.*, p. 483.

<sup>3</sup> "Democracy in America," translated by Henry Reeve, 5th ed., Boston, 1873, Vol. II, p. 191.

<sup>4</sup> A survival is found in the colors of the barber's pole, the red indicating blood-letting. In Baltimore, doubtless as elsewhere in the United States, to this day one can find a barber advertising "cupping and bleeding."

divide the work of one man among several, but entirely new occupations have been springing up. Here are a few of those that do not appear in the Boston directory for 1789: stenographer, iceman, life insurance agent, photographer, letter-carrier, advertisement writer, expert accountant, bicycle repairer, funeral director, commercial traveller, elevator tender, window-dresser, lithographer, stereotyper, and in addition there are a host of occupations that are suggested by the mere mention of the words steam and electricity.

Such changes as the foregoing imply also a changing economic organization. The great enterprises in every line of business are carried on largely by corporations, and this seems to us very natural; yet in 1776 Adam Smith could write: "The only trades which it seems possible for a joint stock company to carry on successfully, without an exclusive privilege, are those of which all the operations are capable of being reduced to what is called a routine, or to such a uniformity of method which admits of little or no variation. Of this kind is, first, the banking trade; secondly, the trade of insurance from fire, and from sea risk and capture in time of war; thirdly, the trade of making and maintaining a navigable cut or canal; and fourthly, the similar trade of bringing water for the supply of a great city."<sup>1</sup> The typical manufacturing establishment a hundred years ago was a little shop where a master mechanic

<sup>1</sup> "Wealth of Nations," Bk. V, Ch. I, Pt. III, Art. I.

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worked with hand tools, aided perhaps by two or three journeymen and apprentices. Now it is a large plant, using natural forces as motive power. It is owned by a vast industrial corporation, and over against the capital which owns and directs the establishment, we have hundreds and even thousands of men working with tools which they do not own. Those connected with a modern railway form a vast hierarchy of stockholders, officers, clerks, station agents, enginemen, firemen, conductors, brakemen, machinists, carpenters, shopmen, switchmen, flagmen, watchmen, telegraphers, all closely organized. The ties binding them to the rest of the community are so close that the cessation of their operations must mean the keenest distress, even death, to thousands and hundreds of thousands. Such a development has brought with it widely separated classes, the common laborer marking one extreme, the railway magnate the other, the one living in a shanty, the other in a palace, and both probably never knowing each other. At Chicago Commons (a social settlement at Grand Avenue and Morgan Streets, Chicago) recently "an employer and an employee who had sustained that relationship for seventeen years met for the first time."<sup>1</sup>

The banks which we now see in any American city mean that the industrial world in which we

<sup>1</sup> "The Labor Contract" (Ms., p. 74), August, 1902, a thesis submitted to the University of Wisconsin for the degree of Doctor of Philosophy, by Dr. Margaret A. Schaffner.

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live is a different one from that familiar to the fathers of this republic. A little more than a hundred years ago there were but three banks in the United States. Now there are more than two thousand times that number. Had all the banks of 1790 failed, it is safe to say that three-fourths of all the people of the United States would not have known the difference. Should all these banks fail to-day, there is scarcely a man or woman in the United States who would not feel the disastrous effects, and words could not describe the suffering which would ensue, not only to the people of the United States, but to the entire world. The banking institutions of to-day mean a new economic world, a world bound together by the closest ties.

New words in our vocabulary and the changed meanings of old ones afford further illustrations. The word "manufacturing" is used by Adam Smith to mean working with one's hands, and he says that a man may become rich by employing a multitude of manufacturers. We call a maiden a spinster because it was taken for granted that the unmarried daughters of a family should largely occupy themselves with the spinning-wheel. A furlong meant originally a "furrow long," and reminds us of the early English manor where the common fields were ploughed in acre pieces (or less), the furrow on one side being forty rods in length.<sup>1</sup> The word "farmer" refers to the mediæval English tenant who held a piece of land for

<sup>1</sup> Cheney, "Industrial and Social History of England," p. 34.

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which he paid the lord "a 'farm' or *firma*, that is, a settled established sum, in place of the various forms of profit that might have been secured from it by the lord of the manor."<sup>1</sup> Our common word "staple" meant an established market, and in early England certain towns were designated as ones to which all goods had to be brought before being exported. These were "staple towns," and the principal commodities exported (wool, skins, and leather) became known as staple commodities. The fact that the German traders who came to England in the Middle Ages were called Easterlings accounts for the use of the word "sterling" in connection with English money. Such expressions as socialist, scab, government by injunction, walking delegate, collective bargaining, sliding scale, watered stock, wheat pit, workingmen's insurance, factory legislation, bonanza farming, captain of industry, full dinner pail, coöperation and profit-sharing, municipal ownership, mail order business, etc., are mostly terms which George Washington would not have understood at all.

Such considerations as the foregoing impress us with the fact that the economic world is a changing world. But are the changes which we have been considering, ordered changes? Does law underlie them? The universality of the reign of law is a fundamental hypothesis of modern science, and unless we think things happen by chance, we must affirm that there is order in the changes in

<sup>1</sup> Cheney, "Industrial and Social History of England," p. 129.

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the industrial world, as there is order in the natural universe.

The idea of the evolution of society in general has been one of slow, general acceptance, and perhaps still more slowly has been received the idea of the evolution of industrial society, with all the implications which necessarily follow from this idea. Nevertheless, the idea of the evolution of industrial society was clearly advanced more than fifty years ago, several years prior to the publication of Herbert Spencer's "Psychology," by the group of German economists who are now ordinarily designated as the German Historical School. Of these, the three most prominent were Bruno Hildebrand, Wilhelm Roscher, and Karl Knies, — the last-named of whom was the honored and revered professor under whom it was the author's privilege to study as a student in Heidelberg. Even before their time Friedrich List, a German economist, who had lived for several years in the United States and was deeply impressed with our growth, had advanced the idea of an industrial evolution. In his "National System of Political Economy," he says, "In the economical development of nations, it is necessary to distinguish the following principal stages: the savage state, the pastoral state, the agricultural state, the agricultural and manufacturing state, and finally, the agricultural, manufacturing, and commercial state."<sup>1</sup> He was interested

<sup>1</sup> Translation from the German by G. A. Matile, Philadelphia, 1856, p. 72.



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especially in the problem of the protective tariff, holding that the policy which was suitable for one period in a nation's growth could not be safely followed in a subsequent period. In other words, he taught clearly that no one could properly describe himself in absolute terms either as a free-trader or a protectionist, but that a man might be rationally a free-trader at one period of development, a protectionist at a later period, and again, at a subsequent period, like that now attained by the United States, a free-trader. So, a man could be a free-trader in one country, as England, and a protectionist in another country, as Germany or the United States in his day. This is simply adduced as an illustration. The historical economists must have received valuable suggestions from List, but they were most of all influenced by the comparative and historical school of jurisprudence, so ably led by that great jurist, Savigny. The relativity of human institutions was the central thought, and the only one which need concern us at the present time. They protested against what was called absolutism and perpetualism, absolutism meaning that one policy could be a good policy for all countries, and perpetualism, that one policy could be good for all periods of time.

In 1848 Karl Marx and his friend, Friedrich Engels, presented to the world a theory of evolution which is called by its adherents scientific socialism. The basis of that theory is the proposition that in every historical epoch the social,

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political, and intellectual life is determined by prevailing economic conditions, and that in the future, the economic conditions will be such as to necessitate inevitably a socialistic organization of society. To this we shall recur in a later chapter. The followers of Marx rank him with Darwin and Spencer as an evolutionary thinker.<sup>1</sup>

In 1896 Herbert Spencer published the third volume of his "Principles of Sociology," in which he traces the development of industrial institutions in particular. It did not receive very much attention because the main ideas which it contains, such as the growth of specialization and integration, the distinction between the militant and industrial types of society, and the author's uncompromising hostility to socialism, had been made familiar by his earlier writings.

Investigation has, perhaps, not proceeded far enough to enable us to state with great positiveness what the laws of change are. We have, indeed, in this investigation one of the richest fields for the cultivation of science. These changes are in part psychical in their causes, and we do not yet know enough about the laws of the individual mind or of the social mind to enable us to know what we should like about the order of industrial evolution.

<sup>1</sup> In recent years a high position among the world's thinkers has been attributed to Marx even by non-socialists. Professor E. R. A. Seligman of Columbia University may be mentioned in this connection, and the reader is referred to his work, "The Economic Interpretation of History."

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Nevertheless, the various classifications of the stages of industrial evolution that have been proposed are not without value. The one suggested by List has been usually followed in the past, so far as its main outline is concerned, and it seems to the writer that, in spite of all criticism, it is still, with some modifications, the most serviceable as a framework within which to study the course of economic development, and accordingly we shall follow it as a basis for our classification in the next chapter. As will be shown, however, it is not contradictory to the other classifications that have been proposed.

# CHAPTER III

## THE ECONOMIC STAGES

### I. *Introductory*

THE way in which people get their living is in very intimate relation with their whole social life. It is probable, says Morgan, "that the great epochs of human progress have been identified, more or less directly, with the enlargement of the sources of subsistence."<sup>1</sup> When men rely on hunting and fishing for a living, they are very different men from what they are when they have settled down to a predominantly agricultural life, or when they satisfy their wants by the aid of vast aggregations of capital.<sup>2</sup>

<sup>1</sup> Morgan, "Ancient Society," New York, 1878, p. 19.

<sup>2</sup> Karl Marx and his followers exaggerate greatly the influence of the economic life of a people upon their social life in general, holding what is known as the materialistic conception of history, or, as Professor Edwin R. A. Seligman calls it, the economic interpretation of history. This doctrine is defined by Professor Seligman as follows: "We understand, then, by the theory of the economic interpretation of history, not that all history is to be explained in economic terms alone, but that the chief considerations in human progress are the social considerations, and that the important factor in the social change is the economic factor. The economic interpretation of history means, not that the economic relations exert an exclusive influence, but that they exert a preponderant influence in shaping the progress of society."— The Economic Interpretation

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The ways of getting a living, therefore, ought to be a serviceable point of view from which to study the development of man, and from this point of view we get the following stages:—

1. The hunting and fishing stage.
2. The pastoral stage.
3. The agricultural stage.
4. The handicraft stage.
5. The industrial stage.

1st phase: Universal competition as an ideal.

2d phase: Concentration.

3d phase: Integration.

## II. *The Hunting and Fishing Stage*

If we accept the doctrine of evolution, we must be able to look back upon a time when our ancestors were living a mere animal existence. This indeed requires no great stretch of the imagination of History," *Political Science Quarterly*, March, 1902, Vol. XVII, p. 76.

When stated in this mild form, it is difficult to see why the doctrine should have aroused so much discussion. The controversy seems simply to be whether we shall say the economic factor is *the* most or *a* most important factor. But to the Marxists generally the materialistic conception of history signifies far more than this. For example, one of them recently stated that religion is not a cause, but a product, that is, of economic life. See "The Economic Interpretation of History," by Mrs. May Wood Simons, in the *International Socialist Review*, March, 1903. This subject receives further treatment from a somewhat different viewpoint in the chapter on the "Widening and Deepening Range of Ethical Obligation," Pt. II, Ch. XII.

tion when one has read descriptions of some of the most primitive tribes upon the earth to-day,<sup>1</sup> although, to be sure, there is a great gap between the lowest of them and the highest of the animals. The Negritos of the Philippines, the Veddahs of Ceylon, the Fuegians of South America, and the Australian aborigines afford illustrations.

Take, for example, some of the tribes of central Australia. They are described as wandering about in small groups of one or two families, camping at favorite spots where the food is abundant. There is no such thing as a chief of the tribe. In their ordinary condition they are almost completely naked, for the idea of making any kind of clothing as a protection against the cold does not seem to have entered their minds, notwithstanding the fact that the temperature at times falls below the freezing point. Their habitation is merely a rough covering of shrubs for protection against the wind. Time is no object to them, and if there be no lack of food, the men and women lounge about while the children laugh and play. When they are hungry, the women, armed with digging sticks and *pitchis* (wooden troughs for carrying food), search for liz-

<sup>1</sup> Darwin, on first seeing the Fuegians, wrote: "It was without exception the most curious and interesting spectacle I ever beheld: I could not have believed how wide was the difference between savage and civilized man; it is greater than between a wild and domesticated animal, inasmuch as in man there is a greater power of improvement." — "Journal of Researches into the Natural History and Geology of the Countries visited during the Voyage of H. M. S. *Beagle* around the World," New York, 1873, p. 205.

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ards and small marsupials, while the men look for larger game. Everything that is edible is used for food, the honey-ants being a favorite dish. They know the use of fire, but they have little in the way of implements besides the spear, shield, spear-thrower, boomerang, stone knives, and, rarely, hatchets. When times are prosperous they are light-hearted; but there is always an undercurrent of anxious feeling which may assert itself, and then they think of some hostile medicine man who may be trying to harm them with his evil magic. They decorate their bodies with scars, and observe a strict code of custom and ceremony. If a man's ancestor painted a white line across his forehead in the performance of a certain ceremony, for example, that line he must also paint.<sup>1</sup>

The North American Indians offer especially good material for studying the hunting and fishing stage because of their varying degrees of development within that stage. In the northern and western part of the continent we find purely hunting tribes that did not cultivate the soil; in the eastern half of what is now the United States a simple kind of soil cultivation was generally practised; and the village Indians of New Mexico, Mexico, and Central America depended almost exclusively upon the produce of their fields for sub-

<sup>1</sup> This description is taken from Spencer and Gillen's "The Native Tribes of Central Australia," London, 1899, Ch. I, *passim*.

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sistence, used irrigation, and built houses usually more than one story high.<sup>1</sup>

This last group of tribes, indeed, might be put in the agricultural stage, although they did not use domesticated animals in tilling the soil. Confining our attention, then, to the first two groups, let us ask what are the characteristics of man in this first stage of economic development.

The life of primitive man is nomadic. An early writer says, "From the first land (which is Newfoundland) to the country of the Armouchiquois, a distance of nearly three hundred leagues, the people are nomads, without agriculture, never stopping longer than five or six weeks in a place."<sup>2</sup> And another: "They (the Sioux) live on wild oats . . . and by hunting. . . . They have no fixed Abode, but travel in great Companies like the *Tartars*, and never stay in one Place longer than the Chace detains them."<sup>3</sup> Such a wandering life is plainly necessary so long as people depend on what they can find for a living. This characteristic applies to a less extent to the more advanced tribes of the East and South,<sup>4</sup> who

<sup>1</sup> Morgan, "Houses and House Life of the American Aborigines," United States Geographical and Geological Survey, "Contributions to North American Ethnology," Vol. IV, p. 42.

<sup>2</sup> Lescarbot, "La Conversion des Savvages, 1610," in "The Jesuit Relations and Allied Documents," edited by Reuben Gold Thwaites, 73 vols., Cleveland, 1896-1901, Vol. I, p. 83.

<sup>3</sup> Charlevoix, "Voyage to Canada," London, 1763, p. 110.

<sup>4</sup> Jones, "Antiquities of the Southern Indians," New York, 1873, p. 297.



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had learned to cultivate the soil.<sup>1</sup> The Indians of Pennsylvania, for example, raised maize, potatoes, beans, pumpkins, squashes, cucumbers, melons, and occasionally cabbages and turnips.<sup>2</sup>

The method of soil cultivation forms another characteristic of this stage. It has been aptly termed "hoe culture." The work was done by hand with the aid of sticks and rude hoes and spades made of bones, shells, or stone.<sup>3</sup> In a Southern tribe the men broke up the surface of the ground with fish bones attached to wooden handles, and after them came the women, who, with the aid of sticks, made holes into which they dropped the beans or grains of corn which they carried in small baskets.<sup>4</sup> Ploughs and draught animals were not used. The field labor was done chiefly by the women,<sup>5</sup> although the men occasionally helped. In fact, one writer says that the

<sup>1</sup> The extent to which the Indians relied on the products of their fields for subsistence is a matter of some doubt. In some cases it may have been the chief source (Jones, *loc. cit.*, p. 308), but not as a rule. The best general reference on the subject is "The Mounds of the Mississippi Valley," by Lucien Carr, Annual Report of the Board of Regents of the Smithsonian Institution, 1891, Vol. I, pp. 507 ff.

<sup>2</sup> Heckewelder, "An Account of the History, Manners, and Customs of the Indian Nations, who once inhabited Pennsylvania and the Neighboring States." Published in Transactions of American Philosophical Society, Philadelphia, 1819, Vol. I, p. 184.

<sup>3</sup> Abbott, "Primitive Industry," Salem, Mass., 1881, Ch. XVI.

<sup>4</sup> Jones, "Antiquities of the Southern Indians," p. 301.

<sup>5</sup> Hugh Jones, "Present State of Virginia," 1724, reprinted, New York, 1865, p. 9.

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Iroquois are the only tribe among whom it cannot be shown that the warriors did take some part either in clearing the ground or in cultivating the crop.<sup>1</sup> To illustrate the fact that the women were the toilers while the men devoted their attention to hunting and fighting, it is not necessary to go to the accounts of early travellers. The same division may be seen among the Indians on their reservations. The woman's work in a Colorado reservation is thus described: "Each day, as the sun descends, she and her daughters come into the village from the timber valleys loaded with firewood — the load weighing from twenty to one hundred pounds; she rises first in the morning, and builds the fire and prepares the breakfast . . .; as soon as this is over she is out in the sun stretching or dressing buckskin or buffalo hides, or stroking down beaver or otter skins, or cutting out garments, or sewing or ornamenting them with bead work or embroidery, often in a neat, artistic manner, with symmetrically flowing lines; and, except in rare cases, she has no idle hours. The truth is, an Indian village is, so far as the women are concerned, as full of active industry as any factory village of New England. Meanwhile the men have nothing to do."<sup>2</sup>

<sup>1</sup> Carr, *loc. cit.*, p. 511. See also "The Jesuit Relations and Allied Documents," Vol. LXV, p. 133.

<sup>2</sup> N. C. Meeker, in the Greeley (Colo.) *Tribune*, December 11, 1878, quoted in Boyd's "History of Greeley and the Union Colony of Colorado," Greeley, 1890, p. 328.

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In an unsettled life, where labor in the fields forms but a minor part, if any, of the food-getting activities, there is not much opportunity for the development of the institution of slavery. There was little incentive to refrain from killing the captives taken in battle, and when the lives of the prisoners were spared, it was very common for them to be adopted as members of the tribe. Speaking of the captives, one writer says, "Many are killed, but if one outlives this trial, he is adopted into a family as a son, and treated with paternal kindness; and if he avoids their suspicions of going away, is allowed the same privileges as their own people."<sup>1</sup> Heckewelder says, "The prisoners are generally adopted by the families of their conquerors in the place of lost or deceased relations or friends, where they soon become domesticated and are so kindly treated that they never wish themselves away again."<sup>2</sup> On the other hand, slaves were held to some extent and compelled to work. Of certain Canadian tribes, La Hontan says, "The Women Slaves are employed to Sow and Reap the *Indian-Corn*; and the Men Slaves have for their Business the Hunting and Shooting where there is any Fatigue, tho' their Masters will very often help them."<sup>3</sup> One

<sup>1</sup> Filson, "The Discovery, Settlement, and Present State of Kentucky," New York, 1793, p. 102.

<sup>2</sup> *Loc. cit.*, p. 211.

<sup>3</sup> La Hontan, "New Voyages to North America," London, 1703, Vol. II, p. 18.

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of the early Jesuits<sup>1</sup> speaks of three classes of slaves among the Iroquois; and General Ely S. Parker,<sup>2</sup> himself an educated Iroquois, says the captives helped the women.

Let us turn now to the mental and moral characteristics of people in this stage, so far as they have an economic bearing. Professor Franklin H. Giddings<sup>3</sup> has called attention to their unbusiness-like way of doing things, and certainly one cannot read the constant references by missionaries and travellers to the large part that magic and ceremony played in their lives, without agreeing that this is a most prominent characteristic. Charlevoix gives the following instance: "When a Bear is killed, the Hunter puts the End of his lighted Pipe between his Teeth, blows into the Bowl; and thus filling the Mouth and Throat of the Beast with Smoak, he conjures its Spirit to bear no Malice for what he has just done to the Body, and not to oppose him in his future Huntings."<sup>4</sup> In September the Karoks have a great dance to propitiate the spirits of the earth and the forest in order to prevent disastrous land-slides, forest fires, earthquakes, drought, and other calamities.<sup>5</sup> The Ojibway Indians, in

<sup>1</sup> "The Jesuit Relations and Allied Documents," Vol. XLIII, p. 293.

<sup>2</sup> In a letter quoted by Carr, *loc cit.*

<sup>3</sup> *The Political Science Quarterly*, in an article entitled, "The Economic Ages," June, 1901, Vol. XVI, p. 202.

<sup>4</sup> "Voyage to Canada," p. 57.

<sup>5</sup> Powers, "The Tribes of California," United States Geographical and Geological Survey, "Contributions to North American Ethnology," Vol. III, p. 28.

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Canada, make a feast before commencing to gather the rice, and none are allowed to gather the grain until after it.<sup>1</sup> The Dakotas set apart the first corn or wild rice of the season, and the first duck or goose killed when they appear in the spring, for a holy feast, at which those Indians only who are entitled to wear the badge of having slain an enemy are invited.<sup>2</sup> Lumholtz<sup>3</sup> found a village of Mexican Indians having twenty-five shamans or priest-doctors for only 180 households. Loskiel<sup>4</sup> says that before an Indian sets out for a long hunt, he usually shoots one or more deer and keeps a feast of sacrifice, inviting the old men to assist him in praying for success. If he shoots nothing for several days, he swallows a small dose of a preparation made by the old men who are no longer able to hunt. Father Le Petit says of the Natchez: "They never plant their fields without having first presented the seed in the temple with the accustomed ceremonies."<sup>5</sup>

Another prominent characteristic is their childish lack of forethought. A missionary among the Ojibways<sup>6</sup> says that from January to March is

<sup>1</sup> Jenks, "Wild Rice Gatherers of the Upper Lakes," p. 1091. Reprinted from Nineteenth Annual Report of the Bureau of Ethnology.

<sup>2</sup> *Ibid.*

<sup>3</sup> Lumholtz, "Unknown Mexico," New York, 1902, p. 312.

<sup>4</sup> Loskiel, "History of the Missions of the United Brethren among the Indians in North America," translated from the German, London, 1794, p. 76.

<sup>5</sup> "The Jesuit Relations and Allied Documents," Vol. LXVIII, p. 139. <sup>6</sup> Minnesota Historical Society Collections, Vol. IX, p. 72.

their starving time, although a very few days' labor would have raised all the corn and potatoes they could use. Often when suffering severely from hunger in the dead of winter, they bitterly lament their own improvidence, and vow that if they live till spring they will do differently. But when the abundance of summer comes the starving of the past winter is forgotten; the time is passed in dancing and pleasure, with no thought for the future and no provision made for it. All the Indians who are middle-aged recall the severe starvation to which when young they were periodically subjected, and through which they hardly lived. Loskiel says the Iroquois preserved their crops in round holes dug in the earth at some distance from the houses, lined and covered with dry leaves or grass; but if the winter happened to be severe, and the snow prevented them from hunting, a general famine ensued, by which many died.<sup>1</sup> An Apache woman at one of the military posts in eastern Arizona, on receiving her rations for the week, consumed all of them at a sitting, trusting to her ability to find sufficient food to sustain her until next ration day.<sup>2</sup> "I told them that they did not manage well," says Father Le Jeune, of the Canadian Indians, "and that it would be better to reserve these feasts for future days, and in doing this they would not be so pressed with hunger. They laughed

<sup>1</sup> *Loc. cit.*, p. 68.

<sup>2</sup> Hoffman, "The Menomini Indians," Fourteenth Annual Report Bureau of Ethnology, Pt. I, p. 287.

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at me. 'To-morrow (they said) we shall make another feast with what we shall capture.' Yes, but more often they captured only cold and wind."<sup>1</sup> Of course, thought for the future was not entirely lacking. The more advanced tribes had made evident progress in this direction. The Indians of North Carolina had corn-cribs,<sup>2</sup> and the villages of the Cherokees are said to have abounded with "hogs, poultry, and every thing sufficient for the support of a reasonable life."<sup>3</sup> But man's forethought had to undergo a tremendous development before a modern civilized life was possible. To this we shall recur again.

Another thing that we must notice about this early stage is communal life. There were no starving poor among them, unless they all were starving. "Every citizen," says Bartram,<sup>4</sup> "has free access to the public granary when his own private stores are consumed." Private property in land was not thought of, although possibly a slight beginning in this direction may be seen in the separation of the patch cultivated by one family from the next adjacent one by a strip of grass or other boundary.<sup>5</sup> Articles of personal

<sup>1</sup> "The Jesuit Relations," Vol. VI, p. 283.

<sup>2</sup> Lawson, "History of North Carolina (1714)," Raleigh, 1860, p. 35.

<sup>3</sup> Adair, "History of the North American Indians," London, 1775, p. 230.

<sup>4</sup> "Travels through North and South Carolina, etc.," Philadelphia, 1791, p. 512, and La Hontan, *loc. cit.*, Vol. II, p. 7.

<sup>5</sup> Bartram, p. 512.

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use were, however, recognized as belonging to their users. This does not necessarily indicate a conception of ownership such as ours, but the things were looked upon as a part of the personality of the user.<sup>1</sup> "They are accustomed," one writer remarks, "to take everything that belongs to the deceased, skins, bow, utensils, wigwams, etc., and burn them all, howling and shouting certain cries, sorceries, and invocations to the evil spirit."<sup>2</sup> Living in common has often appealed to people as something unselfish, and a condition to which we should, if possible, return. But whatever the future may make possible, whether or not a man might some day, as John Stuart Mill suggests, dig and weave for his country as eagerly as he fights for it, it is clear that in this early stage some powerful incentive was necessary to encourage men to labor steadily and take thought for the future. That incentive was to be furnished above all by the institution of private property.

When people live on what they find, as in the purely hunting stage, there is little occasion for the development of trade. On the contrary; war with the surrounding tribes is the rule. The development of commerce and the diminishing frequency of war have steadily accompanied an advancing civilization. It is interesting to note, in passing, the close connection between gift-giving

<sup>1</sup> See Veblen, "The Beginnings of Ownership," *American Journal of Sociology*, November, 1898.

<sup>2</sup> "The Jesuit Relations and Allied Documents," Vol. I, p. 169.



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and trade among the American Indians. To accept a present was to bind oneself to return an equivalent. A missionary among the Canadian Indians says they brought him some elk meat, and knowing that they expected a present also, he asked what they wanted. They desired wine and gunpowder, but when they found they could not get it, they carried back their meat.<sup>1</sup> This seems to be general among primitive people.

What has been said about hunting tribes applies in the main to those who derive their main sustenance from fishing. Fishing may have been an earlier occupation of mankind than hunting, but it offers greater possibilities for development when the tribe lives near the seacoast. A more stationary and less warlike life is possible, because the food supply is not so easily exhausted in one place, and there is great opportunity for the development of skill in fashioning contrivances for catching fish. The inhabitants of the South Sea Islands made salmon nets "forty fathoms long and twelve or more feet deep."<sup>2</sup> When a chief desired to make such a net, he called upon the other chiefs for assistance, — an instance of the development of social coöperation.

So long as man depends upon what Nature furnishes of her own accord, he does not make

<sup>1</sup> "The Jesuit Relations and Allied Documents," Vol. VI, pp. 7 and 257.

<sup>2</sup> Ellis, "Polynesian Researches," 2d ed., London, 1831, Vol. I, pp. 140 ff.

much progress. It is only when he learns to want many things and to labor steadily that she gives up her treasures. He had to learn, also, to coöperate with the members of other tribes instead of trying to kill them.

### III. *The Pastoral Stage*

A great step in advance was made by man when he learned to utilize domesticated animals for food and work. He seems first to have tamed animals for amusement. An early traveller says: "There are few Villages in France where there are more hens and Cocks than in that of the houmas [a Choctaw tribe] because they never kill any, and will not even eat any of those that their Dogs quite often kill. When one wishes to obtain chickens from them, He must not say that he intends to kill or eat them."<sup>1</sup> Cortés says there were in Mexico three hundred men whose sole employment it was to take care of the emperor's pet birds.<sup>2</sup> In Africa we find the Ovambo, "very rich in cattle and fond of animal diet, yet their beasts would seem to be kept for show rather than for food."<sup>3</sup>

The American natives did not reach the pastoral stage from their own development. In South America the llama and alpaca were domesticated,

<sup>1</sup> "Gravier's Voyage," 1700, "Jesuit Relations and Allied Documents," Vol. LXV, p. 151.

<sup>2</sup> "Despatches of Hernando Cortes," translated by George Folsom, p. 122.

<sup>3</sup> Anderson, "Four Years in the Wilds of Africa," Philadelphia, 1856, p. 153.

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while nearly all the Indians had dogs, and Major J. W. Powell thinks that in time they would have learned to domesticate the bison.<sup>1</sup> Since the arrival of the whites, the Navajo Indians in northeastern Arizona have become a pastoral people. One observer<sup>2</sup> describes them as follows: "The region is especially adapted for sheep culture, and the Navajo equally well adapted for shepherds, coinciding circumstances which have happily influenced their destiny, transforming them wholly into a peaceable, pastoral tribe. Every family is possessed of a flock of sheep and goats and a band of horses. . . . To maintain the flocks in sufficient pasture, they move them to different grazing grounds, at least twice a year. . . . Vivid traditions are still extant of those early times before the Spaniard brought sheep and horses to their land, when they lived on the spoil of the chase, on wild fruits, grass seeds, and piñon nuts. Indian corn, however, was known to them apparently from the earliest times, but while they remained a mere hunting tribe, they detested the labor of planting. But as their numbers increased, the game, more regularly hunted, became scarce, and to maintain themselves in food, necessity forced them to a more general cultivation of corn, and the regular

<sup>1</sup> In his article on the American Indians, in "The United States of America," edited by N. S. Shaler, New York, 1894, Vol. I, p. 251; but Professor Shaler ("Domesticated Animals," New York, 1895, p. 106) says the bison seems to be essentially undomesticable.

<sup>2</sup> A. M. Stephen, "The Navajo," *American Anthropologist*, Vol. VI, p. 347.

practice of planting became established among them."

The Todas of India, who live chiefly from their herds of buffaloes, have a tradition of a time when they subsisted on roots.<sup>1</sup> "The move upward from the life of the hunter to that of the herdsman," says Tylor, "is well seen in the far North, the home of the reindeer. Among the Esquimaux, the reindeer was only hunted. But Siberian tribes not only hunted them wild, but tamed them."<sup>2</sup> For further illustrations of existing pastoral peoples, we may mention the nomads of central Asia and some of the Arabian and other African tribes.

It is not intended to assert here that all peoples have once been pastoral nomads. Such a life depends in large measure upon physiographic conditions. The steppes of central Asia, with their extremes of temperature, offering pasturage during but a part of the summer, and becoming an inhospitable desert at another, are peculiarly suited to nomadic pastoral life. Similarly, in part of the arid belt of the United States, cattle-raising is almost the sole occupation.<sup>3</sup> It may well be that the first cattle were domesticated by peoples that had already learned to carry on hoe culture<sup>4</sup> in permanent villages, so that these never became pastoral nomads, deriving their main subsistence

<sup>1</sup> Marshall, "Travels amongst the Todas," London, 1873, p. 82.

<sup>2</sup> "Anthropology," New York, 1891, p. 219.

<sup>3</sup> Roosevelt, "Ranch Life and the Hunting Trail," New York, 1899, p. 1.

<sup>4</sup> See *ante*, p. 30.

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from their animals,<sup>1</sup> but inasmuch as we can trace back the history of many civilized peoples<sup>2</sup> to a time when cattle-raising was their chief occupation, it does not seem improper to make the pastoral life a separate stage in human development. It typifies a great human achievement. It is in those regions in which an agricultural life presents special difficulties that an arrested development has preserved for us in some measure a record of the influence of that change. In our own history we have an epitome of the world's experience in this respect. In the words of Professor F. J. Turner, "The United States lies like a huge page in the history of society. Line by line, as we read this continental page from west to east, we find the record of social evolution. It begins with the Indian and the hunter; it goes on to tell of the disintegration of savagery by the entrance of the trader, the pathfinder of civilization. We read the annals of the pastoral stage in ranch life; the exploitation of the soil by the raising of unrotated crops of corn and wheat in sparsely settled farming communities; the intensive culture of the denser farm settlements; and finally, the manufacturing organization with city and factory system."<sup>3</sup> That is, the cattle-raising frontier has given away con-

<sup>1</sup> Cf. Schmoller, "Grundriss der allgemeinen Volkswirtschaftslehre," Leipzig, 1900, pp. 195 and 196.

<sup>2</sup> See below, pp. 43-45.

<sup>3</sup> "The Significance of the Frontier in American History," Annual Report of the American Historical Association for 1893, Washington, 1894, p. 207.

tinually to higher stages, except in the regions where for a time, or permanently, agriculture has not been possible, namely, in the arid belt.

In this second stage man relies less directly upon nature for his food. He learns to take more thought for the future. His herds and flocks represent a body of social capital which must be preserved intact, and of which the increase only can be used. There is a development of the institution of private property, not as yet in land, but in movable wealth, and in consequence we are not surprised to find the contrast between rich and poor making its appearance. Among the Kirghiz of central Asia only the rich have more than one wife.<sup>1</sup> A murder is paid for with six hundred head of cattle. Borrowing at interest and rules concerning the inheritance of property make their appearance.<sup>2</sup> Warlike habits continue; the men, although extremely lazy and slovenly, are brave and capable of undergoing great hardship. There is no special development of the arts nor of slavery, for these are especially characteristic of a relatively peaceful existence.

## IV. *The Agricultural Stage*

The change from the pastoral to the agricultural stage may be exemplified from the history of the Jews. In Genesis we read: "And Abram was

<sup>1</sup> Moser, "Durch Central-Asien," Ch. II, Leipzig, 1888.

<sup>2</sup> Lansdell, "Russian Central Asia," Boston, 1885, Vol. I, Chs. XXII and XXIII.

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very rich in cattle, in silver, and in gold. . . . And Lot also, which went with Abram, had flocks, and herds, and tents. . . . And Abram said unto Lot, Let there be no strife, I pray thee, between me and thee, and between my herdmen and thy herdmen; for we be brethren." But in Samuel the agricultural stage is suggested: "And he will appoint him captains over thousands and captains over fifties, and will set them to ear his ground, and to reap his harvest, and to make his instruments of war, and instruments of his chariots. . . . And he will take your fields, and your vineyards, and your oliveyards, even the best of them, and give them to his servants."<sup>1</sup> In Spencer's "Descriptive Sociology," the food-getting aspect of the early history of the Hebrews is divided as follows:—

"Pre-Egyptian period: Reared sheep, oxen, asses; a slight beginning of agriculture.

Egyptian period: Love for settled abode and agriculture seems to have been implanted.

Period of the Judges: Transjordanic tribes continued shepherds; the rest passed on to agriculture.

Period of the Monarchy: Wheat and olives were cultivated in such a measure as to allow of extensive export.

Period of the Two Kingdoms: Agriculture made more extensive by terracing and watering. Wheat the chief product."

The German tribes afford another illustration of

<sup>1</sup> I Sam. viii. 12, 14.

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the passage from the pastoral to the agricultural stage. They migrated with their cattle into Europe, and later became settled cultivators of the soil.<sup>1</sup>

A third illustration may be taken from the history of England. Professor W. J. Ashley<sup>2</sup> says on this point that "to judge from the account given by Cæsar — who had abundant opportunities of observation — the Britons, at the time of Cæsar's invasion, were still, except in Kent, in the pastoral stage. . . . When, however, we pass to the three centuries and a half of Roman rule, we can hardly help coming to the conclusion that it was during that period that England became an agricultural country."

Still another example is to be found in the history of the Greeks. "Homeric social forms," says a recent writer, "witness the long-continued presence of the nomadic stage, now passing away as a result of changed environment. It is probable that the dominant peoples of Greece and Asia Minor were a detachment of those nomadic conquerors who ever and anon swept forth from the plains of central Asia, infusing fresh blood and vigor into the societies with which they came in

<sup>1</sup> See Hildebrand, "Recht und Sitte auf den verschiedenen wirtschaftlichen Kulturstufen," Erster Theil, Jena, 1896; and Meitzen, "Siedelung und Agrarwesen," Berlin, 1895, Vol. I, p. 131; and compare Ashley, "Surveys Historic and Economic," New York, 1900, pp. 157-160, and pp. 115-131.

<sup>2</sup> In the Introduction to "The Origin of Property in Land," by Fustel de Coulanges, translated by M. Ashley, London, 1892, pp. XXIII and XXIV.



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contact.”<sup>1</sup> It should be noted, however, that in this case the pastoral life had not resulted in domesticating those animals which are necessary to agriculture. While the Greeks were nomads they had chiefly sheep and goats, and it is probable that the ox, the horse, and the mule came to them after their western migrations and settlement.<sup>2</sup>

This change to a settled life with agriculture as the chief occupation is accompanied by profound

	NUMBER OF INHABITANTS PER SQUARE KILOMETER
Hunting tribes, such as the Bushmen, Patagonians, Australians . . . . .	0.0017-0.0088
Hunting tribes, with some soil cultivation such as the Indians and poorer negroes . . . .	0.17-0.70
Fishing peoples living on the coast, as in north-western America and Polynesia . . . .	as many as 1.77
Pastoral nomads . . . . .	0.70-1.77
Tribes with hoe culture and agriculture and some industry and commerce (inner Africa, Malays) . . . . .	1.7-5.3
Purely agricultural regions of southern Europe	as many as 70
Mixed agricultural and industrial regions of central Europe. . . . .	70-106
The better cultivated regions of India, Java, China . . . . .	177
Regions of the great commercial cities and industrial centres of Europe . . . . .	266

(Condensed from an estimate by Ratzel, quoted in Schmoller's 'Grundriss der allgemeinen Volkswirtschaftslehre,' p. 183.)

<sup>1</sup> Keller, "Homeric Society," New York, 1902, p. 30.

<sup>2</sup> *Ibid.*, p. 37.

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changes in the whole social structure. Partly as a cause and partly as a result of the changed methods of getting a living, there is a marked increase in the density of the population, and this necessarily implies new social relations and duties. The table on page 46, showing the density of population in typical regions of the world, will emphasize the fact that the growth of civilization has meant an ever increasing closeness and complexity in the relations of man with man.

Another prominent characteristic is the great development of slavery. This had existed in previous periods, but to hunters and herdsmen, large bodies of slaves would have been a detriment, not an advantage, and therefore the slaughter of enemies was common. The Masai in East Africa, says Ratzel, are a shepherd tribe, who subsist upon herds of a fixed size, and have neither labor nor provision to spare for slaves, and hence kill their prisoners; "their neighbors, the agricultural and trading Wakamba, being able to find a use for slaves, do not kill them."<sup>1</sup> In the early history of Greece, slavery was a much less important institution than it became at a later period. In Homer's time, the male captives taken in war were usually slain, and only the women and children enslaved, since the social organization "was not yet strong enough to hold in subjection bodies of grown men."<sup>2</sup>

<sup>1</sup> "History of Mankind," translated by A. J. Butler, London, 1896, Vol. I, p. 123.

<sup>2</sup> Keller, "Homeric Society," p. 277.

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But in more advanced societies, like the Egyptians, and the later Greeks and Romans, and in Europe generally during the Middle Ages, unfree labor formed a very important part of the social fabric. In China to-day slaves of both sexes are openly bought and sold all over the empire, being used chiefly in domestic work.<sup>1</sup> We are now convinced that, aside from any moral considerations, free labor is more efficient than slave labor; but in this early stage of industrial development, labor, it is generally maintained, had to be forced if there was to be any steady labor at all, and thus slavery may be looked upon as a necessary stage in the evolution of industrial society. It was only in later ages, when the habits of thrift and industry had been ground into the very nature of man, that the servile bonds could advantageously be removed.

The gradual growth of private landownership is a third characteristic of this period. The actual steps by which private landholding came to prevail is a matter of great dispute among the economic historians.<sup>2</sup> We are interested here merely in the result of the institution of a system of private property. Perhaps the magic power of the separate cultivation of the soil to increase the total product cannot be better brought out than by the following quotation, giving the experience

<sup>1</sup> Douglas, "Society in China," London, 1894, p. 346.

<sup>2</sup> For a discussion of the present status of this question see an article by G. T. Lapsley, entitled "The Origin of Property in Land," *American Historical Review*, April, 1903, Vol. VIII, p. 426.

of the early Puritans in New England. Governor Bradford, in the history "Of Plimoth Plantation,"<sup>1</sup> after telling of the difficulty the colonists had in getting a sufficient supply of food under a system of common cultivation, says:—

"So they begane to thinke how they might raise as much corne as they could, and obtaine a beter crope then they had done, that they might not still thus languish in miserie. At length, after much debate of things, the Gov<sup>r</sup> (with y<sup>e</sup> advise of y<sup>e</sup> cheefest amongst them) gave way that they should set corne every man for his owne perticuler, and in that regard trust to them selves; in all other things to goe on in y<sup>e</sup> generall way as before. And so assigned to every family a parcell of land, according to the proportion of their number for that end, only for present use (but made no devission for inheritance) and ranged all boys & youth under some familie. This had very good success; for it made all hands very industrious, so as much more corne was planted then other waise would have bene by any means y<sup>e</sup> Gov<sup>r</sup> or any other could use, and saved him a great deall of trouble, and gave farr better contente. The women now wente willingly into y<sup>e</sup> feild, and tooke their litle-ones with them to set corne, which before would aledg weakness, and inabilitie; whom to have compelled would have been thought great tiranie and oppression."

Experiences such as the foregoing have convinced the world of the desirability of the private cultivation of the soil. Additional reasons are perhaps needed to make conclusive the argument

<sup>1</sup> Reprinted in Boston, 1898, p. 162.

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for private ownership with the right of inheritance, but the present writer believes that they can be found. Abuses of private landownership, such as the development of excessively large estates, are not a necessary part of the institution. We must presuppose such social regulation as will result in the holding of small estates by a relatively large part of the community. Such a class develops a spirit of independence and personality that gives stability to the whole social organism. However, there is not space at this point to enter into a discussion of this subject.

In the agricultural period there was still little development of trade. The village communities were isolated and self-sufficient. Each group raised and made the things which it needed. The wants of the people were simple, and food, clothing, and fuel could all be obtained at home. The condition of England at the time of the Norman Conquest affords a good illustration. On the manors, the needs of the community, says one writer, "were satisfied almost wholly from the ploughing and tilling of the ground and from the use and increase of the domestic animals; what handworkers or craftsmen came into existence were mainly for the furthering of these same needs rather than for the satisfaction of new tastes or the development of new duties. . . . Probably the millard, shoemaker, smith and wright were already recognized as distinct craftsmen; but all others, such as those engaged in spinning, weav-

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ing, netting, salt-preparing, gardening, brewing, baking and cooking were, and for a considerable time continued to be, merely household servants."<sup>1</sup> Some trade, to be sure, existed. Salt, iron, and millstones could usually not be supplied at home,<sup>2</sup> and the higher classes very early secured articles of luxury from the wandering merchant. Significant of the exceptional nature of trade in the early stages of the development of industrial society is the fact that both the German word "tauschen" and the English word "barter" originally meant to "cheat."<sup>3</sup>

The transition stage to a freer trade between the groups is somewhat as follows: "Each proprietor still seeks, as far as possible, to gain his livelihood from the land; if his wants go beyond this, he calls into requisition any special manual skill he may possess or any particular productive advantage of his district, whether in field, forest, or water, in order to produce a surplus of some particular article. One will produce grain, another wine, a third salt, a fourth fish, a fifth linen or some other product of domestic industry."<sup>4</sup> Some of the more favorably situated places became the centres of the trade, and finally grew

<sup>1</sup> Andrews, "The Old English Manor," Baltimore, 1892, pp. 202, 237.

<sup>2</sup> Ashley, "An Introduction to English Economic History and Theory," Vol. I, pp. 35-36.

<sup>3</sup> Bücher, "Industrial Evolution," translated by S. M. Wickett, New York, 1901, p. 40.

<sup>4</sup> Bücher, p. 114.

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into towns. Most of the eighty towns mentioned by the Domesday Survey in England "were what we should now consider but large villages: they were distinguished from the villages around only by the earthen walls that surrounded them, or the earthen mounds that kept watch over them."<sup>1</sup> The development of the towns as centres of trade and handicraft in Europe generally, during the Middle Ages, marks the beginning of a new stage in industrial development.

### V. *The Handicraft Stage*

This stage sees the rise and decay of the guilds, and the spread of the domestic system. It is of especial interest to us because it was during this period that America was colonized. By the seventeenth century, the craft guilds had decayed in England, and it is not surprising therefore that they do not appear in America. In other respects, however, there are similarities between the early English and the early American industrial development. For example, in each case an export trade in raw products developed before the handicrafts contributed largely to the exports, Europe being to England in the thirteenth and fourteenth centuries what England was to America in the seventeenth and eighteenth. A passage from Jefferson's "Notes on Virginia" is of interest in this connection. "Our exterior commerce," he says, "has suffered very

<sup>1</sup> Ashley, "English Economic History," Vol. I, p. 68.

much from the beginning of the present contest. During this time we have manufactured within our families the most necessary articles of clothing. Those of cotton will bear some comparison with the same kinds of manufacture in Europe; but those of wool, flax, and hemp are very coarse and unpleasant; and such is our attachment to agriculture, and such our preference for foreign manufactures, that, be it wise or unwise, our people will certainly return as soon as they can to the raising of raw materials, and exchanging them for finer manufactures than they are able to execute themselves.”<sup>1</sup> The following picture of an early plantation in Virginia reminds one of an old English manor that was just beginning to lose its self-sufficiency: —

“Worthy Captaine *Matthews*, an old Planter of above thirty yeers standing, one of the Counsell, and a most deserving Common-wealths-man, I may not omit to let you know this Gentlemans industry.

“He hath a fine house, and all things answerable to it; he sowes yeerly store of Hempe and Flax, and causes it to be spun; he keeps Weavers, and hath a Tan-house, causes Leather to be dressed, hath eight Shoemakers employed in their trade, hath forty *Negroes* servants, brings them up to Trades in his house: He yeerly sowes abundance of Wheat, Barley, &c, The WWheat he selleth at four shillings the bushell; kills store of Beeves, and sells them to victuall the ships when they come thither: hath abundance of Kine, a brave Dairy, Swine great store,

<sup>1</sup> Edition of 1801, p. 323.



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and Poltery [poultry]; he married the daughter of Sir *Tho. Hinton*, and in a word, keeps a good house, lives bravely, and [is] a true lover of *Virginia*; he is worthy of much hononr [-our].”<sup>1</sup>

In the northern colonies there was a special development of fishing, lumbering, and shipbuilding. The so-called manufacturing was done chiefly in the household, and, as in England, closely allied with agriculture. Brissot de Warville, in his “New Travels in the United States of America, performed in 1788,” says, “Almost all these houses are inhabited by men who are both cultivators and artisans; one is a tanner, another a shoemaker, another sells goods, but all are farmers” (p. 127). Tench Coxe, in his “View of the United States, 1787–1794” says: “Those of the tradesmen and manufacturers who live in the country, generally reside on small lots and farms from 1 acre to 20: and not a few on farms from 20 to 150 acres; which they cultivate at leisure times, with their own hands, their wives, children, servants, apprentices, and sometimes by hired laborers. . . . This union of manufacturing and farming is found to be very convenient in the grain farms, where part of almost every day and great parts of every year can be spared from the business of the farm and employed in some mechanical handicraft or manufacturing busi-

<sup>1</sup> From an anonymous letter written in 1648, printed in Hart’s “Source-Book of American History,” p. 91. For a picture of plantation life in later times, see “The Old South,” by Thomas Nelson Page, New York, 1892, pp. 143 ff.

ness" (p. 378). In Maryland, in the eighteenth century, the parson had his glebe, the lawyers and doctors had their farms. "The mechanics, fishermen, bay sailors, and petty tradesmen took a turn in the tobacco fields at planting time or helped in the wheat harvest, or in pulling and husking corn."<sup>1</sup>

Both countries, too, offer illustrations of another characteristic of the handicraft stage: the substitution of a money for a barter economy. The earliest of the kings in England after the Conquest received their dues from manors in kind, but Henry I found it possible to collect them in money. So, in America, the earliest taxes were paid in commodities. The following quotation from the "Records of the Colony of New Plymouth" for the year 1677 will be of interest: "The court voated that barly shalbe paied for the rate this yeer att three shillings a bushell. The proportions aboue entered [*i.e.* amount assessed to each town] are to be payed, two p̄tes of three thereof in wheat, and barly, and butter, or siluer, the wheat att 4<sup>s</sup> a bushell, the barly att three shillings a bushell, and the butter att five pence a pound, this first payment to be made att or before the first of October next after the date heerof, and the other third p̄te to be payed in Indian corne and rye, the Indian corne att three shillings a bushell, and the rye att three shillings and six pence a bushell."<sup>2</sup>

The early colonial period also offers some parallel to English conditions in the minute regulation of

<sup>1</sup> Scharf, "History of Maryland," Vol. II, p. 58.

<sup>2</sup> Reprinted in Boston, 1856, Vol. V, p. 243.

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economic affairs by the government. The Boston town records show that the price and size of a loaf of bread was repeatedly fixed by public authority. Competition was not relied upon to fix a price. In the records of 1635 there is a resolution: "That Mr. William Hutchinson, Mr. William Colborne and Mr. William Brenton shall sett pryces upon all cattell comodities, victuals and labourers and Workmen's Wages and that noe other prises or rates shalbe given or taken." <sup>1</sup> The absence of the idea of a competitive price is further shown by the following incident, related by Governor Winthrop in his Journal: A keeper of a shop in Boston was fined two hundred pounds because he took above six pence in the shilling profit. "After the court had censured him the Church of Boston called him also in question where (as before he had done in the court) he did with tears acknowledge and bewail his covetous and corrupt heart, yet making some excuse for many of the particulars which were charged against him." This gave the occasion to Mr. Cotton to lay down the rules for trading, the first of which was: "A man may not sell above the current price (*i.e.*) such a price as is usual in the time and place, and as such who knows the worth of the commodity would give for it if he had occasion to use it, as that is called current money which every man will take, etc." <sup>2</sup>

<sup>1</sup> Second Report of the Record Commissioners of Boston, p. 5.

<sup>2</sup> "Governor Winthrop's Journal," printed at Hartford, 1790, p. 188 ; Reprint of 1853, pp. 377-381.

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These slowgoing methods of the handicraft system, where every man worked for himself with his own tools, or for other persons who were not far above him in the social scale, began to give way to the factory system in England in the last quarter of the eighteenth and in America in the first quarter of the nineteenth century. Of course, there is no intention of saying that they were entirely superseded, for many of the characteristics of one stage in industrial development are carried over into the next. In the garment trade the eighteenth century methods are being displaced with extreme slowness, and in many lines some hand-work will find a permanent place. The names we give to the various stages merely designate what is dominant in each stage.

### VI. *The Industrial Stage*

The use of power manufacture, made possible by the great mechanical inventions in the latter part of the eighteenth century, brought about that far-reaching and rapid change in our industrial life which is known as the Industrial Revolution. It ushered in the era of capitalism, the wage system, and the extensive use of credit. It now became necessary for the laborers to leave their homes and assemble in factories to use the expensive machinery which each one could not own for himself. To an increasing extent, those supplying the factors of production become separated. In a particular business one set of persons might

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furnish the capital, an entirely different set the labor, and still a third the land. Under such conditions, the organizer, the *entrepreneur*, receives a new importance, and *captains of industry* are made possible.

There was at the same time a great change in men's ideas as to the duties of the state toward industry. Non-interference became the watchword, and the abuses that resulted in the English factories from this unregulated competition were truly appalling. In America, the evils were not so great. Chevalier, writing in 1834, testifies on this point as follows: "The cotton manufacture alone employs six thousand persons in Lowell; of this number nearly five thousand are young women from seventeen to twenty-four years of age. . . . On seeing them pass through the streets in the morning and evening and at their meal hours, neatly dressed; on finding their scarfs and shawls and green silk hoods, which they wore as a shelter from the sun and dust (for Lowell is not yet paved), hanging up in the factories amidst the flowers and shrubs, which they cultivate, I said to myself, 'This, then, is not like Manchester;' and when I was informed of the rate of their wages, I understood that it was not at all like Manchester. . . . After spending four years in the factories, they may have a little fortune of \$250 or \$300, when they often quit work and marry."<sup>1</sup> And yet the evils

<sup>1</sup> "Society, Manners, and Politics in the United States," Boston, ed. 1839, p. 137.

have been great here, also. At about the time when the foregoing was written, Seth Luther, a mechanic, published a pamphlet in which he sets forth the conditions in the factories as he found them.<sup>1</sup> The New England mills generally ran thirteen hours a day the year round, while one in Connecticut ran fifteen hours and ten minutes. At Paterson, New Jersey, the women and children had to be at work at half-past four, and sometimes were urged on by the use of the cowhide. At Mendon, Massachusetts, a boy of twelve drowned himself in a pond to escape factory labor. The United Hand Loom Weavers' Trade Association reported, in 1835, that they could earn in twelve hours but from sixty-five to seventy-one cents a day.

The reason that the evils of the change were not so great in this country was partly in the fact that there was a great supply of free land to which any who were dissatisfied with the changing conditions could turn, and partly in the fact that we had as yet not established a great economic system of any kind that could be overthrown. With us the change was an evolution rather than a revolution. The existence of a great body of unoccupied land has, indeed, been one of the most characteristic facts of our economic development. It has served as a constant force tending to keep up wages in the older regions and to furnish an outlet for the discontented element. Timothy Dwight speaks of this fact in his "Travels in New England and New

<sup>1</sup> See the author's "Labor Movement in America," Ch. III.

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York in 1821." They had many troubles in the older regions, he says, but they would have had many more if this discontented element had remained at home. Our free land has almost disappeared, and we shall in the future have to find a new way to deal with those who are dissatisfied. That this will be no easy matter is evident when we consider that if the mainland of the United States were only half as densely populated as the German Empire is to-day, we should have over four hundred millions of people under one government.

The abuses that appeared with the factory system led, in both England and America, to a twofold reaction against the *laissez-faire* policy. Competition has been regulated by a series of factory acts and other legislation, and workmen have been stimulated to more thorough organization to secure for themselves, in the shape of higher wages, a part of the increasing wealth. But at best, a change from one stage to another must always mean loss and suffering to a part of society. The methods which were compatible with success in the slow-going handicraft stage became inappropriate in a more strenuous competitive period; and those who could not make the change lingered behind, and became what has been expressively called "the rubbish heap of the competitive system." There was once a strong feeling that those who had learned a trade had a sort of vested interest in it, and ought not to be turned out immedi-

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ately when some other man could be found who might do the work more cheaply. Custom protected the incompetent to some extent from the ruthless force of competition, but later they were turned adrift to shift for themselves. In many ways, too, our habits of thought have to be changed as we pass from one stage to another. This is irksome, and we resist it for a time. The idea that a business is a man's own and ought not to be interfered with by the public is one that belongs to this early part of the industrial stage, and it has been only with extreme slowness and obstinacy that it is coming to be recognized by business men that such an attitude is an anachronism. Unquestionably the dispute between labor and capital has been aggravated by this fact. Education can do much here to make the transitions easier, because when men recognize the inevitableness of a change, they are much less apt to resist it. The necessity of discarding one's old habits of thought under new conditions can be illustrated in another way. The farmers brought up in the traditions of the individualism of New England and of the South, — where individualism is far more pronounced, — on going to the far West, where close association and coöperation were required to carry on irrigated agriculture, found that it took a long time and involved a good deal of waste to learn how to act together.

This thought has an important application at the present time. We are coming to deal more with



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peoples of a lower civilization, and we have to ask the question, How rapidly can they move forward to a stage of industrial civilization which is removed from them by hundreds and perhaps thousands of years? It has been necessary to modify our system of land tenure more or less in the case of the North American Indians, to assist them to make the transition from common or tribal property in land to individual property in severalty as we understand it. The question may indeed be asked if we are not expecting them to travel too rapidly. It is interesting to note that Professor J. W. Jenks, in his report upon the Philippines, does not hold that the natives are ripe for individual property in land, but recommends public ownership with leases. This illustrates very important principles of special significance to us now. For a long time in this country, under the influence of eighteenth-century philosophy, we were inclined to regard men as substantially equal, and to suppose that all could live under the same economic and political institutions. It now becomes plain that this is a theory which works disaster, and is, indeed, cruel to those who are in the lower stages, resulting in their exploitation and degradation.

Returning again to the early industrial stage, we find that, even after the idea of a regulated competition had made its way, the ideal which we attempted to follow was that the competitive struggle, even though regulated, should be maintained in every branch of production. Competition

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among a large number of producers, it was thought, would fix a natural price automatically. Legislators directed their efforts to maintaining competition, even in the railroad business. This general reign of competition, at first unregulated and later regulated, may be taken to characterize the first phase of the industrial era.

Within the last two or three decades a new movement has been taking place. The marked concentration of production in large establishments, commonly called the trust movement, may be regarded as a second phase of the industrial

AGRICULTURAL IMPLEMENTS<sup>1</sup>

YEAR	NUMBER OF ESTABLISHMENTS	AVERAGE PER ESTABLISHMENT			
		Capital	Wage Earners		Value of Product
			Average Number	Wages	
1900	715	\$220,571	65	\$31,400	\$141,549
1890	910	159,686	43	19,898	89,310
1880	1,943	31,966	20	7,905	35,327
1870	2,076	16,780	12	5,853	25,080
1860	2,116	6,553	8	2,800	9,845
1850	1,333	2,674	5	1,626	5,133

stage. It is seen in almost every line of production, although less markedly in some than in others. It is to be observed least of all in the farming and mercantile business. To illustrate the movement, we may take the manufacture of agricultural implements. From the above table

<sup>1</sup> Twelfth Census Reports, "Manufactures," Pt. I, p. lxxii.

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we notice an absolute decrease in the number, and a marked increase in the average size, of the establishments.

But a third phase, quite distinct from the preceding, has been attracting attention recently. It is the movement toward the integration of allied industries. For illustration, take the case of the United States Steel Corporation. Here we have united under one management the American Bridge Company, the American Sheet Steel Company, the American Steel Hoop Company, the American Steel and Wire Company, the American Tin Plate Company, the Federal Steel Company, the Lake Superior Consolidated Iron Mines, the National Steel Company, the National Tube Company, and the Carnegie Steel Company. Of the last itself, Mr. Charles M. Schwab says, in his testimony before the Industrial Commission (Vol. XIII, p. 448): "The Carnegie Company were large miners of ore—mined all the ore that they required themselves, to the extent of over 4,000,000 tons per year. They transported a large percentage of it in their own boats over the lakes; they carried a large percentage of it over their own railroad to their Pittsburg works, and manufactured it there, by the various processes, into a great variety of iron and steel articles—I think perhaps a larger general variety of steel articles than almost any other manufacturing concern."

Mr. W. F. Willoughby, in a recent article en-

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titled "The Integration of Industry,"<sup>1</sup> has given the following additional illustrations: The combination of railroad and ocean transportation; the control by the Standard Oil Company of the Linseed Oil Company, which itself controls the National Lead Company; the consolidation of various lines of tobacco manufacture; the combining of production and distribution at retail by the large shoe companies; trust and security companies which perform the functions of banks, administrators of estates, real estate agents, guardians of valuables, bonding agencies, and conveyancers of property; the department store (although slightly different in principle); and finally, the English Coöperative Societies. The force at work, this writer thinks, is the same as that which impels a nation to become self-contained. This whole matter brings us to the heart of present problems, and is further discussed in Chapter V of Part I.

What the industrial age means in the way of increased facilities for the production of wealth is well shown by the elaborate investigation conducted by the United States Commissioner of Labor<sup>2</sup> in regard to the difference between hand labor and machine labor. For example, in 1852 the printing and folding of 480,000 pages of newspaper required 3660 hours of work at a labor cost of \$447, while in 1896 the same amount of work was done in 18 hours and 30.3 minutes at a labor

<sup>1</sup> In the *Quarterly Journal of Economics*, Vol. XVI, p. 94.

<sup>2</sup> In his Thirteenth Annual Report.

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cost of \$6.27. Agriculture is one of the latest branches of industry to be invaded by machine methods, but the progress made in this direction is also remarkable. So early as 1851, Mr. Pusey, in his Report on Agricultural Implements in the Exhibition of 1851, estimated that in the twelve years preceding his report "a saving on outgoings or else an increase of incomings of not less than one-half" had resulted from the increased use of mechanical implements in agriculture.<sup>1</sup> The investigation just mentioned shows still more rapid improvement since that time. For example, to produce 40 bushels of corn in 1855 required 38 hours and 45 minutes of work at a labor cost of \$3.63; while in 1894 that amount could be produced by 15 hours and 7.8 minutes of work at a labor cost of only \$1.51. Whether human well-being has on the whole increased in the same proportions may be doubted, but after taking into account all of the evils the new industrial system has brought, there is without doubt a large balance in its favor, with unbounded possibilities for the future.

So far we have been viewing the development of society from the standpoint of production. Other viewpoints are of course possible. One writer<sup>2</sup> has taken as his principle of classification the length of time which elapses between the production and the consumption of the goods, and

<sup>1</sup> Quoted in Hearn's "Plutology," London, 1864, p. 172.

<sup>2</sup> Bücher, "Industrial Evolution," p. 89.

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from this standpoint he gets the following three stages : —

1. The stage of independent economy.
2. The stage of town economy.
3. The stage of national economy.

The stage of domestic independent production is that in which the household is an independent group, a well-nigh self-sufficient economic group. Goods are produced in and by the household group, and are consumed by this group. Economic self-sufficiency is the ideal. This stage existed in classical Greece, and is found in all earlier industrial civilizations. The stage of town economy is that in which handicrafts are developed. Goods are produced by artisans for customers, so that the producer meets the consumer without intermediaries. The village shoemaker taking orders from individual customers and making their shoes for them is a type of this stage. Exchange takes place and commerce exists, but on a comparatively simple scale. The economic relations among men are relatively few and simple. In the stage of national economy, production is conducted on a large scale, and the goods pass through several hands before they reach the consumer. We are now in this stage; and, one may add, the next stage, according to this view, would be world economy. The business world is becoming more and more cosmopolitan. The industrial ties binding nations together are becoming closer. The money market is truly

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a world market. We hear of the invasion of foreign countries by the captains of industry, and of the formation of world trusts.

If we look at the evolution of industrial society with respect to the transfers of goods, we may discover three distinct periods, and these follow each other chronologically. This was first worked out in detail by the German economist, Bruno Hildebrand.<sup>1</sup> We have, first, an early stage preceding the use of money, which may be designated as barter or truck economy. Then we have the stage in which money becomes prominent, and to this we may give the term money economy, and following money economy, we have a third period called credit economy. Barter exists in the period designated as money economy, but what characterizes this period is the use of money, which increasingly replaces barter. Similarly, in our own time, the third period, money is still used, but credit dominates the period to such an extent that money has been well called the small change of commerce.

When we look at the evolution of society from the standpoint of labor, we find first of all the labor of women and the slaughter of enemies. The slaughter of enemies was in more advanced civilizations quite generally replaced by slavery. Then we observe a transition to a modified form of slavery, or serfdom, in Europe generally during the Middle Ages. When the laborer secures his

<sup>1</sup> "Jahrbücher für Nationalökonomie," 1864, Vol. II, p. 1.

freedom, he is regulated by custom and status in making his individual contracts. This was the condition in the handicraft period. Later, as the force of custom wanes, there is at first little interference in the making of his contracts, and then regulation to an increasing extent by statute, and finally, we have collective bargaining regulated still more by statute. This transition from the individual contract to group contract which is now taking place is, like all transitional stages, accompanied with disturbance and pain. Processes of readjustment in human relationships always have brought suffering, and doubtless always will bring suffering, although the suffering may be greatly mitigated by a better will and a higher intelligence.

Recently Professor F. H. Giddings<sup>1</sup> has proposed a new classification. He rejects the common classification, not that it is untrue, but that it is destitute of any real meaning.<sup>2</sup> He divides all economies into three classes, the Organic, the Instinctive, and the Rational. We may pass over the first two, as practically all human activity falls within the last. The Rational Economy is again divided into (1) Ceremonial and (2) Business Economies. Within the first there are three phases,

<sup>1</sup> In an article entitled "The Economic Ages," *Political Science Quarterly*, Vol. XVI, p. 193.

<sup>2</sup> The present writer differs emphatically as to the utility of the older classification. It furnishes a convenient framework within which to arrange our knowledge, and elucidates the progress of industrial society.



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— the Luck, the Magic, and the Sacrificial Economies, — in which there is a progressive mental development from reliance on mere conjecture, through reasoning by analogy, to logical reasoning in which there is no careful examination of the premises. The mark of the business economy is inductive reasoning, and here again are three phases, a Slave, a Trade, and a Capitalistic Economy. This way of looking at the matter brings out the psychological element, and one is certainly compelled to admit that industrial evolution means something more than a mere improvement in technical processes. It means at the same time changing human beings, mentally and morally.

These various classifications are not only not antagonistic, but they are all necessary to a complete view of industrial evolution. This will be made clear by the table on the following page.

In conclusion, it must be repeated that a table of this kind is helpful if used with discretion; that otherwise it is misleading. The transitions from one stage to another are slow, and old forms persist when a new period in industrial evolution has made its appearance. The differences between the stages are best understood by comparing each one when it is fully developed. Between the fully developed periods of each stage there is a transitional growth. The table also gives that which is dominant and characteristic in each stage. It has already been stated, for example, that money is used in the stage of credit economy, but that it

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FROM THE STANDPOINT OF PRODUCTION	FROM BÜCHER'S STANDPOINT	FROM HILDEBRAND'S STANDPOINT	FROM THE LABOR STANDPOINT	FROM GIDDINGS'S STANDPOINT <sup>1</sup>
1. Hunting and Fishing	Independent Domestic Economy	Tribal Economy	Slaughter of Enemies, Woman's Labor, and Beginning of Slavery	Cerebral { Luck Magic Sacrificial
2. Pastoral				
3. Agricultural			Slavery and Serfdom	
4. Handicraft	Town Economy	Money Economy	Free Labor governed by Custom	Business Economy { Trade Capitalistic
5. Industrial (1) Universal Competition as an ideal (2) Concentration (3) Integration	National Economy  (World Economy) <sup>2</sup>	Credit Economy	Individual Contract with Increas- ing Regula- tion by Statute  Group Con- tract and Regulation by Statute	

<sup>1</sup> Probably Professor Giddings would not himself be willing to state at just what points in industrial evolution these divisions come, and manifestly there is a considerable overlapping. All that the present author intends to say is that there is a general correspondence in the stages as indicated in the table.

<sup>2</sup> Added by the present author.

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is credit which especially characterizes the later stage. The significance of this fact is brought out by recent discussions on money. Many persons who have engaged in the popular discussion of this topic seem to have overlooked the fact that we have reached a period of credit economy, and that what is essential above everything else is that credit should rest upon a sound foundation, and that, inasmuch as money is but the "small change of business," an increase or decrease in the supply of money is a small matter as compared with the volume of credit. A sound basis of credit must, above everything else, be provided, and the money question is to be regarded very largely from the viewpoint of its influence upon credit. This is mentioned to illustrate the significance of the stages.

A word or two further may be said about the stages when viewed from the labor standpoint. Manual labor goes back to slavery, and throughout the world we find development from slavery through various half-free forms to a condition of freedom. Slavery was an outcome very largely of war; conquered enemies in the early ages were enslaved. Preceding slavery we have, as has been pointed out, slaughter of enemies. Manual toil also was in early ages performed largely by woman; consequently, the slaughter of enemies and woman's labor are characteristic features of the early stage in the development of labor. Man toiled also in the manner which has been indicated in the present chapter. There are also, in prim-

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itive society, variations in the toil performed by men, but it has not been compatible with the purposes of this book to enter into these variations fully. The endeavor is made in this Part I to give a broad general survey only of the evolution of industrial society.

## CHAPTER IV

### ECONOMIC CLASSES

WE have seen in previous chapters that the evolution of society has meant an ever increasing differentiation. From another standpoint, this means that there is a greater and greater variety in the groups of persons having common characteristics. Race, nationality, ability, education, moral qualities, religious beliefs, manners, wealth, and occupation, each affords a basis for a different classification. But, ordinarily, when we speak of classes in society, we have in mind those class divisions which affect the social intercourse of people, and which give them a higher or lower rank. The "Century Dictionary" defines a class as "An order or rank of persons; a number of persons having certain characteristics in common, as equality in rank, intellectual influence, education, property, occupation, habits of life, etc." In the present discussion we are concerned with the influence exerted by the economic organization and constitution of society<sup>1</sup> on the formation of class distinctions. It is to these that we refer when we speak of economic classes.

<sup>1</sup> The distribution of wealth is included.

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In the earliest stages of society, we have seen, the women are the principal workers. Later, slaves are forced to labor for the community. Then we find the workers becoming free, but at first they stand at the bottom of the social scale. Among the Greeks and Romans, commerce and industry were considered unworthy pursuits for a citizen. In the caste system of India the industrial class occupies a position only one grade higher than that of the servile class. Step by step the wealth-producing members of society have won for themselves social recognition, and to-day we in America look with growing disfavor upon a man who lives upon an inherited income without engaging in some "useful" occupation. But the workers have themselves become differentiated, and increasingly so with the growing complexity of modern business life.

It has often been said that we have no classes in America. Our federal Constitution says that no title of nobility shall be granted either by the United States or by any state. The law is supposed to guarantee every man an equal vote, regardless of his property, his education, his birth, or even his color. Every child, we have been fond of saying, has an equal chance of rising to the highest position either in the political or the industrial world. "In the United States," said De Tocqueville, writing in 1833, "professions are more or less laborious, more or less profitable; but they are never either high or low: every honest calling

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is honorable." To be sure, even in his day there were rich and poor, but, he remarks, "the class of rich men does not exist; for these rich individuals have no feeling or purposes in common, no mutual traditions or mutual hopes; there are individuals, therefore, but no definite class."<sup>1</sup>

This same writer, however, also gave a warning. The extensive subdivision of labor and the resulting large-scale production, he saw, was working a change. In this connection he observes: "The master and workman have then here no similarity, and their differences increase every day. They are only connected as two rings at the extremities of a long chain. Each of them fills the station which is made for him and which he does not leave: the one is continually, closely, and necessarily dependent upon the other, and seems as much born to obey as that other is to command. What is this but Aristocracy?"<sup>2</sup>

Some fifty years later another foreign observer wrote: "There are no struggles between privileged and unprivileged orders, not even that perpetual strife of rich and poor which is the oldest disease of civilized states. One must not pronounce broadly that there are no classes, for in parts of the country social distinctions have begun to grow up. But for political purposes classes scarcely exist. No one of the questions which now agitate the nation is a question between rich and poor.

<sup>1</sup> De Tocqueville, "Democracy in America," Boston, 1873, Vol. II, pp. 186 and 196.

<sup>2</sup> *Ibid.*, p. 195.

Instead of suspicion, jealousy, and arrogance embittering the relations of classes, good feeling and kindness reign.”<sup>1</sup> This was written in 1888, but the author, in a later edition of his book (1894) suggests that possibly the view might seem too roseate, although he hesitates to “let matured conclusions be suddenly modified by passing events.”

In recent years we have been hearing much about the struggle between the laboring class and the capitalist class. There are those who think that the words which Karl Marx and Friedrich Engels wrote, in the “Communist Manifesto,” in 1848, find support in the present economic conditions in the United States. These writers said: “The history of all hitherto existing society is the history of class struggles. Freeman and slave, patrician and plebeian, lord and serf, guild-master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open, fight, that each time ended, either in revolutionary reconstitution of society at large or in the common ruin of the contending classes. In the earlier epochs of history we find almost everywhere a complicated arrangement of society in various orders, a manifold gradation of social rank. In ancient Rome we have patricians, knights, plebeians, slaves; in the Middle Ages feudal lords, vassals, guild-masters, journeymen, apprentices,

<sup>1</sup> Bryce, “The American Commonwealth,” 3d ed., Vol. II, p. 599.



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serfs; in almost all of these classes, again, subordinate gradations. The modern bourgeois society that has sprouted from the ruins of feudal society has not done away with class antagonisms. . . . Society as a whole is more and more splitting up into two great hostile camps, into two great classes, directly facing each other, Bourgeoisie and Proletariat."

Within the past year it has been possible for a writer to attract widespread attention by his comparison of our present industrial organization with the feudal organization of the Middle Ages.<sup>1</sup> Such views are greatly exaggerated, but they serve to remind us of the ancient philosopher's warning that momentous changes may be taking place within a society long before there is any apparent change in the outward forms of government. The characteristics which we have been associating with the idea of democratic America may after all belong merely to the early days of this country. Indeed, class divisions have to-day a greater significance in the older parts of the country than they do in the newer. The farther west one goes, the more democratic becomes society. The author has found there are social differences even in the middle West which would be scorned in most places in Colorado. Let us inquire, then, what modern industry is doing in the way of erecting social barriers.

One great cleavage that we see in this country

<sup>1</sup> W. J. Ghent: "Our Benevolent Feudalism."

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is the separation of the farming classes from the industrial workers proper. We have already seen that the early "manufacturers" were at the same time farmers, but gradually city life has become differentiated from country life. This separation has not, however, been of any great significance in the formation of social classes. To be sure, those living in the city have looked upon themselves as a little more cultured than their country cousins, but the latter have no feeling of inferiority. We certainly cannot speak here of higher and lower classes. Such differences between city and country as exist may, moreover, be expected to become somewhat less in the future. The growing use of the telephone, the extensive building of interurban electric roads, and the improvement in the country schools are making the distinction less sharp.

Another broad division is often made by separating the employers from the employed. This classification has been growing in importance. In Washington's administration, let us say, it at least would not have been unreasonable for an ordinary laboring man to expect to become the manager of a business of his own. Nowadays it is absurd to hold out to the masses of men such a prospect. The few may rise, as the few may draw prizes in a lottery, but it is foolish for an ordinary workman to look forward to great wealth or to the ownership of an independent business. There are, for example, over a million persons engaged in the railway

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business in the United States, but less than one per cent of them are officers of any sort, let alone being president of the railway.

Professor Thorstein Veblen, of the University of Chicago, has drawn a careful distinction between what he calls the industrial and pecuniary classes.<sup>1</sup> The former class comprises the actual workers in the factories, who come in contact chiefly with the technical processes of industry, while the latter class contains those individuals who are engaged in buying and selling, making contracts, etc. The pecuniary management, he says, has been passing into the hands of a relatively decreasing class, whose contact with the industrial classes grows continually less immediate. This difference of employment is leading to differences in habits of thought, and this growing unfamiliarity of the working classes with the pecuniary side of business may account in some measure, Professor Veblen thinks, for their improvidence, their disrespect for private property, and the growth of socialism. The distinction is interesting, but its significance may be exaggerated.

Again, we may divide the workers according to their kind of occupation. We have the bakers, the barbers, the blacksmiths, the carpenters, the coopers, the glass bottle blowers, the machinists, etc., etc. The members of such groups as these will form associations, develop class sympa-

<sup>1</sup> In an article entitled "Industrial and Pecuniary Employments," Publication of the American Economic Association, 1901, p. 190.

thies, and work together for their common interests, but it cannot be said that these are harmful or undesirable class distinctions. They would necessarily exist in any society in which each man engaged in that occupation for which he possessed the greater aptitude.

So, also, with the stratifications which appear within any business itself. The existence of superintendents, managers, and foremen is indispensable in a large business. Extensive coöperation necessarily means gradations in authority, but these in themselves are not an evil, for if we could be sure that the higher positions are filled by those who are best fitted for them we should have merely the recognition of a natural aristocracy of merit, which philosophers have always approved.

One of the chief questions concerning economic classes is whether present economic conditions are such as actually result in the selection of the best for the highest positions. Is there a real equality of opportunity for all of the members of society to show what they can do? Vast differences in wealth stand in the way of such equality, for, though a rich man's son may be at a disadvantage so far as temptation to idleness is concerned, there is simply no comparison between his opportunities and those of a poor man's son. Differences in wealth are, indeed, the most potent cause in the formation of social classes, not merely because great wealth is a mark of distinction, but because of the opportunities it brings of develop-

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ing one's powers, and also because, as great wealth persists, habits of life and thought are formed which necessarily separate class from class. In many a city in the United States there is no individual or family with an income of \$40,000 a year, but there are circles in the United States in which a person can move with difficulty with an income of that amount. Perhaps it should not be so; but, as a matter of fact, when differences in wealth pass a certain point—vague and shifting, to be sure, but real—they do operate as a social barrier, and prevent the growth of fraternal feeling. This has been recognized by philosophers from time immemorial.

This brings us to a feature of present economic conditions which is doing much to raise up social barriers, namely, monopoly power in private hands. Looking at the matter in whichever way we please, the monopolist is a privileged person, and monopolists constitute a privileged class, as truly as the nobility of old England or Germany; indeed, the position of the ancient nobility is, comparatively speaking, a small matter.<sup>1</sup> Monopoly power is a social force which separates men out from one another into well-defined classes, and thus lays a basis for dangerous agitation. First, it gives us a privileged class of men, receiving higher profits than those with which

<sup>1</sup> The successful monopolist can sometimes buy a title; frequently he can give his daughter a dowry which, with other opportunities, will enable her to marry a man with a high and historically distinguished title.

the unprivileged must be content. In the second place, the monopolist promotes the formation of classes among consumers, as a result of the action of monopoly price. Monopoly price means class price, whereas competitive price is uniform, and, if we may use such an expression, democratic in its action. Where we have perfect competition working, we have one uniform price charged for the same article at the same time. But monopoly price, free from the restraints of competition, is the price which will yield the largest returns. The restraint upon an increase of price comes only through a diminution of sales. We cannot go into this matter at length here, but a little reflection will show that this fact must mean class price. The price which is most profitable for one class is not the price which is most profitable for another class in a community. Consequently the monopolist attempts to find some method of dividing the community into classes, and asking of each class that price which is most profitable. This will result in a charge of a high price for those who are comparatively weak and feeble, and unable to resist imposition. In some cases, also, it will operate to establish a high price for the wealthy, and a comparatively low price for poorer people. There is no manifest unwillingness on the part of men to fleece the wealthy whenever they get a chance. The poor, even, evince this inclination, for it must by no means be supposed that in society we have to do simply with good poor men, and bad

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rich men—far from it. The formation of class price increases among us with the growth of monopoly. One of the best illustrations is offered by the large number of kinds of tickets which our railways are offering, in order thereby to find that price which is most profitable for each class in the community. For cities within fifty miles of Chicago, along the line of one of our great railway systems, the author has counted six different kinds of tickets, each ticket representing a class price.

There is still another way in which monopoly leads to the formation of classes, and that is through the varying treatment which monopolists accord to their customers, otherwise than in the matter of price. The general rule is that the strong are the favored, as may be seen in the discriminations made by the railways in favor of large shippers.

In conclusion, it must be said that classes in modern times have chiefly an economic and not a political basis, and that if we take any definition which we will as a guide, we must acknowledge that we have classes in the United States. We have groups of individuals who possess common characteristics. They have their own peculiar habits of body and of mind, and their own peculiar needs. The farmer has his way of looking at things, the merchant another way. The wage-earner, especially as he develops, as he is doing, class consciousness, has still other ways of doing things and viewing affairs. The chief classification in our own day is that which is caused, on

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the one hand, by variations in wealth, and on the other, by a separation between the employed and the employers. All this comes about naturally, as the result of the evolution of industrial society. We have different psychical worlds, and this is brought out very clearly whenever a great strike takes place. Those who read with approval the great daily newspapers of our time have their world of ideas and interests, and this is a different world of ideas and interests from that to which those belong who read with approval the so-called labor press. If one passes from one class of newspapers to the other one finds an entire change of viewpoint, and what appears black to the one is white to the other. Those whose feelings, sympathies, and interests are the feelings, sympathies, and interests of the employing class, in reading a great New York daily, will nod their heads approvingly and say, "Yes, that is true." On the other hand, those who entertain the views of the working classes, and sympathize with them in their struggles, will read with approval the diametrically opposite utterances of the labor press. How could there be a more clearly cut social cleavage?

The effects of classes are both good and evil. They are good because they tend to develop different gifts and capacities, and to produce a rich and diversified civilization. They are evil because their natural tendency is, as they become sharply differentiated, to separate man from his fellows; and this is a bad thing. But as we shall see more



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clearly as we proceed in the present book, there are forces at work which tend to bring men of different classes together. The movement is by no means all in one direction. The ideal is that of a friendly and harmonious coöperation of classes, with the free passage from one class to another, in accordance with gifts, and the union of all classes in one social body. There are forces at work among us, and powerful forces, for the accomplishment of this ideal. It rests with us to see whether or not the forces of social union shall triumph over the forces of social disintegration.

## CHAPTER V

### RECENT TENDENCIES OF INDUSTRIAL EVOLUTION

As we look back over the course of economic evolution, we observe certain general lines of development standing out with especial prominence. One of these is the growth and modification of the idea of property. In the earliest of the economic stages, we have seen, the idea is wanting, not merely of private, but also of public property. The idea of ownership does not exist. In the pastoral stage, ownership in movable goods is recognized, and in the agricultural stage, landownership makes its appearance. To-day the idea of property is so thoroughly ingrained in our habits of thought that it must be regarded as one of the fundamental facts in our economic life. But it has reached no final form. It is continually being modified; and we may note here some of the present tendencies along this line. In the first place, there is an increasing mass of free goods, especially free intellectual goods. Every year sees an addition to the number of great ideas that may be utilized by any one who cares to appropriate them. To be sure, we grant patents and copyrights, but they are but temporary. In a very true sense there exists a

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body of knowledge that is a social heritage handed down from one generation to another, constantly increasing, and free to all. A second tendency is the restriction of the extent of private property, and, generally speaking, an extension of public property. The world over we notice an increase in public property in forest lands. The increase in play-grounds for children, in public parks, in public libraries, and in the municipal ownership of "public utilities," affords other illustrations. In the third place, there is a clear development in the social side of private property. More and more the idea that private property is a social trust has made its way, and it is now recognized that the arguments in favor of private property are based chiefly upon the benefits which society derives therefrom. Again, new forms of property are continually appearing. Patents and copyrights are comparatively recent in the world's history. Good will in business is often bought and sold. Certain new rights very much akin to private property are also being recognized, such as the right to be protected against injury, which seems to be implied in the employer's liability acts. We are hearing more, also, of the right to work. Finally, we notice changes in the mode of acquisition of private property. In earlier times, force played a larger part in the acquisition of property, but we are coming to insist more and more that it shall be won by service. There is a general movement to restrict the sources of unearned incomes, such

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as monopoly profits, and the increasing taxation of inheritances has some significance in this connection.

The evolution of forethought is another one of these general lines of development that stand out conspicuously. We have seen how little of it was to be found among the American Indians, and probably we can say that the advance of civilization involves a continuous and uninterrupted development in the habit of taking thought for the future. The increasing importance which individuals attach to the future is at least a partial explanation of the fall in the rate of interest. But socially, we Americans, on account of the newness of our economic life, show a lack of forethought with reference to the use of our resources when we are contrasted with older civilizations. A German commissioner at the World's Fair in Chicago, when asked for his most marked impression of the United States, after some hesitation, on being pressed, said this, "You are a nation of robbers." He went on to speak about the way in which we are squandering our resources and robbing future generations. We have a certain amount of individual forethought, but we have less social forethought.

But perhaps the one fact in the evolution of society that becomes clearer and clearer as time passes, is that coöperation is the great law of social life growth. Men learn to act together in increasingly large numbers for increasingly numerous purposes. Individualism in production, exchange, distribution,

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and even consumption, gradually yields to coöperation.<sup>1</sup> Early man produces for himself, and in his own group consumes that which has been produced and worked up in the household. He goes his way with economically little regard to the activities of other households. Every step forward in his progress means an increasing number of relations with other households, until we come to a time when very little which the ordinary individual consumes is produced by him, but reaches him as a result of the activities of thousands and hundreds of thousands, and even millions of men, who are working for him, while he serves them. The whole world becomes a vast network, in which each serves all and all serve each.

Another great social law which becomes apparent in the course of evolution is this: *we pass over from unconscious social coöperation to conscious social coöperation*. At first, men act together because each one is pursuing his own ends, and they are scarcely aware that they are coöperating with each other. But this changes with a growth in the complexity and magnitude of the industrial units of society. Conscious coöperation in industry is only one part of the developing self-consciousness of society. Society sets before itself

<sup>1</sup> Among the Iroquois each individual ate by himself, sitting or standing, and where most convenient to the person. They also separated as to the time of eating, the men coming first, and then the women and children by themselves. Morgan, "Houses and House Life of the American Aborigines," contributions to *North American Ethnology*, Vol. IV, p. 99.

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purposes, and attempts to achieve them through social action. As our life becomes social, this method for the achievement of our purposes, namely, social action, is inevitable. We have in this an explanation of many modern phenomena which seem strange to those who do not have the right clew for their explanation. At first, social efforts for the attainment of social purposes are necessarily crude, and failures are more common than successes. Society, like a child, must learn to walk without stumbling. We have our Granger movements in our attempts to regulate those agencies of social coöperation which we call the railways. A failure of early movements does not, and cannot, lead to an abandonment of social efforts. The Granger legislation makes way for state railway commissions and the Interstate Commerce Commission. This represents a higher form of social effort, but by no means a final form. These various commissions must receive a much higher development, or make way for something else, possibly even public ownership, but this remains to be seen.

That which is especially characteristic of the most modern phase of social evolution is the effort to secure harmony and unity of action among great industrial establishments, in order to achieve thereby the largest results with the least output of energy. The avoidance of waste of economic energy is, in other words, the great underlying principle of the present phase of industrial evolution. In the earlier

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phase of the industrial stage a marvellous order was achieved in a single industrial establishment; but each establishment went its own way with little regard to other industrial establishments. The result was disharmony and loss. The critics of society found many points of attack in this contradiction between the harmonious coöperation of all the parts of a single establishment, and the lack of organized and harmonious working among the various establishments. It was this particular aspect of production which led the socialists to speak of the planlessness of private capitalistic production. Planlessness is, indeed, one of the great words in the socialist critique, but one heard somewhat less frequently since the trust era began. Each one, they said, is dependent upon all others who are producing for the same market the things which he is producing. All manufacturers of shoes are dependent upon all other manufacturers of shoes, inasmuch as all these others are competitors. But no one, it was argued, knows what his competitors are doing, and each one is therefore working in the dark. The result of this unorganized production of competitors must therefore be overproduction, stagnation, and industrial ruin brought about by the economic crisis. This is but a rough sketch of the criticism, and takes up but a single line. Nowadays, the socialists insist more upon bad distribution as the cause of crises. Unquestionably, this lack of harmony was a weakness which intelligent men, desiring progress, must

endeavor to correct. To secure harmonious action among producers and to avoid needless waste, two methods have been followed: the first, the method of public action; the second, the method of private action.

Railways in Germany and in the United States offer an excellent illustration. The waste and disadvantages of planlessness in the railway world early became obvious, and in Germany the states have undertaken to secure unity, and that chiefly through public ownership and operation. The various German states have not all moved with equal rapidity in this matter. Prussia long tried the experiment of a mixed system of public and private ownership before, about twenty years ago, abandoning that for an almost exclusive system of publicly owned and operated railways. The state of Würtemberg, however, from the beginning had a unified and exclusive system of public railways, placed under the control of a railway manager of exceptional ability. In the United States, clear-sighted and long-headed men, powerful personalities like Commodore Vanderbilt, saw, with equal clearness, the advantages of unity; and, through his own private effort, seconded by able lieutenants, Vanderbilt began a movement for consolidation and unification which yielded him one of the largest fortunes up to that time known in the history of the world. What has taken place in railways has taken place in the case of those other undertakings which we class together roughly as



## EVOLUTION OF INDUSTRIAL SOCIETY

either natural monopolies or public utilities. This method of public ownership we may perhaps designate as the Teutonic method; and the method of private ownership with attempted public control over private corporations owning and operating undertakings of the class in question, we may designate as the French method or, more properly speaking, the Latin method. It is the method which characterized this country in the nineteenth century, and we might perhaps with equal propriety call it the nineteenth-century American method. Whether or not it will be the twentieth-century method is open to doubt. We are Teutonic rather than French or Latin in our modes of thought and action. In the case of local public utilities, at any rate, we are rapidly extending the system of public ownership in order that we may secure the benefits of unified and systematic production, although the restriction of monopoly profits has been the chief consideration in this last case.

The efforts to secure unity and harmony in the relations of manufacturing establishments to one another have, however, been almost altogether private in this country as well as in other countries. The United States leads the world in the trust movement, and the most gigantic, perhaps one should say colossal, achievement along this line is found in the United States Steel Corporation. The industrial question which overshadows in importance all other questions is this: Is indus-

trial evolution naturally leading to the domination of substantially all the great fields of industry by monopoly? In an earlier chapter attention was called to the theory of industrial evolution advanced by Karl Marx. More than fifty years ago he uttered words which to many, even non-socialists, now seem like a prophecy. Marx predicted that the business units in production would continually increase in magnitude, until in each branch of industry monopoly would emerge from the struggle of interests. When this happened he thought that private monopoly would be replaced by public monopoly; in other words, that pure social ownership and operation of all great industries would be substituted for private ownership and operation, and thus would dawn the era of socialism. Here are the impressive words in which a generation ago he expressed this thought:—

“With the continually decreasing number of the magnates of capitalism, who usurp and monopolize all the advantages of the changed form of production, there is an accompanying increase in the mass of misery, of oppression, of bondage, of degradation, of exploitation; but there also arises a revolt of an increasing class of laborers, who have been schooled, united, and disciplined by the mechanism of the capitalistic processes of production. The monopoly of capital becomes a shackle to the method of production, under and with which it has grown up. The concentration of the means of production and the association of laborers

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reach a point where they are incompatible with their capitalistic shell. The shell is broken. The death knell of capitalistic private property sounds. The expropriateurs are expropriated.”<sup>1</sup> The advocates of the trust frequently use arguments precisely like these of the socialists in pointing out the benefits of trust production, and maintain that the advantages of system and unity are so vast that in the end the trust method will dominate every great industrial field.

A discussion of the various aspects of this question brings before us, as subordinate questions, nearly all the pressing economic problems of our day. It is hard to see how we can have any clear opinions in regard to public policy, until we have satisfied ourselves in regard to the question whether or not there are natural laws in the industrial world governing industrial evolution, and bringing about inevitably a reign of monopoly, either private or public.

In considering this question, we must first of all sharply distinguish between large-scale production and monopolistic production. This is something which the author has been iterating, and reiterating, for the past fifteen years, or more. Many others have also been saying the same thing, and it seems now to be generally understood. It is, indeed, strange that it should ever have been difficult to understand the difference between vast pro-

<sup>1</sup> “Das Kapital,” 2te Aufl., S. 793. Quoted in Ely’s “French and German Socialism,” pp. 177-178.

duction and monopolistic production. One of our great retail stores, like Marshall Field's, or Mandel Brothers', in Chicago, or Wanamaker's, in Philadelphia or New York City, represents very large scale production, but along with this large scale production there is the sharpest kind of competition.

Competition is the foundation of our present social order. Our legal system rests upon competition as a basis. The great legal decisions in England and America assume, either implicitly or explicitly, that competition is a pillar of the social order. Competition, along with large scale production, brings its own problems, but they are easy of solution as compared with the problems of monopoly, because competition is compatible with private property in capital, and with private production. Where competition exists, the problem is its regulation in such a manner as to secure its benefits, and to remove, where it is possible, and where it is not possible, to mitigate, its evils. What is needed for competition, especially, is to raise its moral and ethical level.

But we find among us widespread monopoly as a result of industrial evolution, and this has brought evils of another sort, which will be discussed in a later chapter.<sup>1</sup>

There seems to be something inevitable in all these general tendencies that we have been sketching. When we have said all that we can about the

<sup>1</sup> See *infra*, Pt. II, Ch. IV.

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power of the individual will, we still find that there are great social forces which compel us to act along certain lines. The steady growth of population brings with it new problems, more complex social relations, and we are forced to adjust ourselves accordingly. The momentous changes resulting from the industrial revolution have come about without the anticipation or express will of society; we could not turn back now to former conditions if we would; all that we can do is to attempt to control and take advantage of these new forces. The most general statement of our industrial problem is this: How shall we retain the advantages of associated effort with freedom of movement and a socially desirable distribution of products? This is a task which demands all our best powers and our best purposes, with a willingness to sacrifice private ease and comfort for the public good.

Reference has been made to the growing co-operation among men. This means at the same time increasing dependence of man upon man, but this increasing dependence is not burdensome, provided it is mutual. If it is one-sided dependence, it may become virtually slavery under the name of freedom. Dependence must mean interdependence. The multiplying relations of men with one another give us a new economic world. These relations require regulation, in order to preserve freedom. The regulation by the power of the state of these industrial and other social

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relations existing among men is an essential condition of freedom. Herbert Spencer, looking at the political regulation of economic relations, speaks of a coming slavery,<sup>1</sup> but he overlooks the fact that with the increasing dependence of man upon man in modern society, this dependence becomes one-sided, and results in slavery if these relations are not regulated. This is the explanation of the fact that every civilized nation in the world finds it necessary to regulate to an increasing extent the industrial relations existing among men. Free contract alone, that is to say, unregulated, can only result in a degrading dependence of some men upon others, and consequently social degradation. On the other hand, through regulated association come freedom and individuality.

<sup>1</sup> Spencer's article, "The Coming Slavery," and three other articles similar in character have been reprinted under the title, "The Man *versus* The State." This forms an appendix to the abridged and revised edition of "Social Statics," New York, 1897.

## CHAPTER VI

### STATISTICAL RESULTS FOR THE UNITED STATES

IN the foregoing chapters we have been discussing economic development in general terms. It will be of help to consider also some statistical evidence of the industrial progress in the United States.

We have seen how industrial evolution has meant a steady increase in population. Herein American experience but repeats the world's experience.

From 1790 to 1900 our numbers have increased over nineteen fold, although in the last half-century the rate of increase has been declining. The density of population, that is, the number of inhabitants per square mile, has also steadily increased, except in the two decades 1800-1810 and 1840-1850, when large additions were made to our territory. But the figures for the density in each geographical division are more instructive. They show very clearly the gradual westward movement of the population. The following table shows the remarkable growth in population with respect to numbers and density :<sup>1</sup>—

<sup>1</sup> Twelfth Census, "Population," Pt. I, pp. xx, xxxiii, and lxxxiii.

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UNITED STATES AND TERRITORIES				DENSITY OF POPULATION IN EACH GEOGRAPHICAL DIVISION				
CENSUS YEARS	Total Population (Excluding Hawaii, Alaska, Indian Territory, Indian Reservations, etc.)	Per cent the urban <sup>1</sup> is of total	Density	North Atlantic	South Atlantic	North Central	South Central	Western
1790	3,929,214	3.4	4.9	12.1	8.6		0.6	
1800	5,308,483	4.0	6.6	16.3	10.7	0.2	1.9	
1810	7,239,881	4.9	3.7	21.5	12.5	0.4	2.3	
1820	9,638,453	4.9	4.8	26.9	14.3	1.1	4.0	
1830	12,866,020	6.7	6.4	34.2	13.6	2.1	5.9	
1840	17,069,453	8.5	8.4	41.7	14.6	4.4	8.7	
1850	23,191,876	12.5	7.9	53.2	17.4	7.2	7.1	0.2
1860	31,443,321	16.1	10.8	65.4	20.0	12.1	10.7	0.5
1870	39,818,449 <sup>2</sup>	20.9	13.3	75.9	21.8	17.2	11.9	0.8
1880	50,155,783	22.6	17.3	89.5	28.3	23.0	16.5	1.5
1890	62,622,250	29.2	21.2	107.4	33.0	29.7	18.3	2.6
1900	75,568,686	33.1	25.6	129.8	38.9	34.9	23.1	3.5

The North Central states have about the same density now that the North Atlantic had in 1830, and the latter had a greater density in 1790 than the Western states have now. The movement of the population from the country to the city is shown in the column giving the percentage of urban to total population. At the present time 33.1 per cent of the people of the United States live in cities of 8000 inhabitants or more.

But an increase in population is not in itself a desirable thing unless it also means an increase in the well-being of the individuals. Were the

<sup>1</sup> In cities of 8000 or more.

<sup>2</sup> Corrected population.



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seventy-five millions of 1900 better off than the five millions of 1800? So far as material resources are concerned there can be no question about an affirmative answer. Notwithstanding the fact that the population has increased in geometrical ratio, having, roughly speaking, doubled every twenty-five years, our command over material goods has increased at a still greater rate. We do not have trustworthy statistics in regard to the total increase in wealth, measured in terms of money value; and if we did, this would not be an accurate index of the growth in well-being, for, leaving out of account questions of distribution and the changing value of money, we must remember that a large increase in the supply of goods may mean a decrease in total value through a lowering of price, but it must mean an increase in total utility. For example, the cotton crop in 1898 of 11,189,000 bales had a smaller value than the 9,143,000 bales of the next year. The increasing money value of land in cities means a growth of population, but does it always indicate a corresponding increase in well-being? If the canals of the United States should be transformed into natural waterways, our well-being would be the same or greater, but the money estimate of wealth would be less. But taking the statistics as we find them, they do show an increase in per capita wealth. While too unreliable to serve as a basis for accurate comparisons, they may be quoted as a partial confirmation of our general impressions.

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## GROWTH OF WEALTH IN THE UNITED STATES <sup>1</sup>

YEAR	TOTAL	PER CAPITA
1850 . . . .	\$7,135,780,228	308
1860 . . . .	16,159,616,068	514
1870 . . . .	30,068,518,507	780
1880 . . . .	43,642,000,000	870
1890 . . . .	65,037,091,197	1,036

Somewhat more reliable evidence in this connection is afforded by the total production of cereals. There has been a very great increase in the per capita number of bushels, notwithstanding the fact that the proportion of the population engaged in agriculture has declined, leaving more people to devote themselves to satisfying other wants of society than those for food.

## PRODUCTION OF CEREALS IN BUSHEL

YEAR	TOTAL <sup>2</sup>	PER CAPITA
1849 . . . . .	871,042,524	37.5
1859 . . . . .	1,242,159,398	39.5
1869 . . . . .	1,388,526,403	34.8
1879 . . . . .	2,699,415,752	53.8
1889 . . . . .	3,520,960,086	56.2
1899 . . . . .	4,434,698,746	58.6

<sup>1</sup> Eleventh Census, 1890, "Wealth, Debt and Taxation," Pt. II, p. 14. The census figures for 1900 are not yet printed, but Colonel Carroll D. Wright, in an article in the *Independent* for May 1, 1902, makes an estimate for 1900 of \$94,000,000,000, which would give a per capita wealth of \$1,244.

<sup>2</sup> Census of 1900, "Agriculture," Pt. II, p. 16.

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The following table will show the decline in the proportion of people engaged in agriculture, and the corresponding increase in other lines of work:<sup>1</sup> —

CLASSES OF OCCUPATIONS	PER CENT		
	1900	1890	1880
	Mainland		
Agriculture . . . . .	35.7	37.7	44.3
Professional Service . . . . .	4.3	4.1	3.5
Domestic and Personal Service . . . . .	19.2	18.6	19.7
Trade and Transportation . . . . .	16.4	14.6	10.7
Manufactures and Mechanical Ind. . . . .	24.4	25.0	21.8
Total . . . . .	100.0	100.0	100.0

In 1880 the proportion engaged in agriculture was considerably greater than the proportion engaged in the last two groups of occupations, but in 1900 the reverse was true.

That we have become to an increasing extent a manufacturing nation is of course a commonplace. The following general table from the Census of 1900 tells a clear story, although the reader is warned against using the figures for other purposes than to show a general progress. It would lead to error, for example, to compare the per capita value of products here given with average wages, since the value of products is a gross value, containing many reduplications.

<sup>1</sup> Twelfth Census, "Population," Pt. II, p. cxxxiii.

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COMPARATIVE SUMMARY, 1850-1890<sup>1</sup>

	1900	1890	1880
Number of Establishments . . . . .	512,339	355,415	253,852
Capital . . . . .	9,835,086,909	6,525,156,486	2,790,272,606
Total Wages . . . . .	2,328,691,254	1,891,228,321	947,953,795
Cost of Materials . . . . .	7,348,144,755	5,162,044,076	3,396,823,549
Value of Products, including custom work and repairing	13,014,287,498	9,372,437,283	5,369,579,191
	1870	1860	1850
Number of Establishments . . . . .	252,148	140,433	123,025
Capital . . . . .	2,118,208,769	1,009,855,715	533,245,351
Total Wages . . . . .	775,584,343	378,878,966	236,755,464
Cost of Materials . . . . .	2,488,427,242	1,031,605,092	555,123,822
Value of Products, including custom work and repairing	4,232,325,442	1,885,861,676	1,019,106,616

The value of products increased about thirteen times from 1850 to 1900, but in the same period the population increased only from three to four times.

It is of interest to compare the relative importance of the great groups of industries contributing to this total product. Food and kindred products, iron and steel and their products, textiles, and lumber and its remanufactures constitute one-half the total product:—

<sup>1</sup> Twelfth Census, "Manufactures," Pt. I, p. xlvii.

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GROUPS OF INDUSTRIES <sup>1</sup>	NUMBER OF ESTABLISHMENTS	VALUE OF PRODUCT
Food and kindred products . . .	61,302	\$2,277,702,010
Textiles . . . . .	30,048	1,637,484,484
Iron and steel and their products	13,896	1,793,490,908
Lumber and its remanufactures .	47,079	1,030,906,579
Leather and its finished products	16,989	583,731,046
Paper and printing . . . . .	26,747	606,317,768
Liquors and beverages . . . .	7,861	425,504,167
Chemicals and allied products .	5,444	552,891,877
Clay, glass, and stone products .	14,809	293,564,235
Metals and metal products other than iron and steel . . . .	16,305	748,795,464
Tobacco . . . . .	15,252	283,076,546
Vehicles for land transportation .	10,113	508,649,129
Shipbuilding . . . . .	1,116	74,578,158
Miscellaneous industries . . . .	29,479	1,004,092,294
Hand trades . . . . .	215,814	1,183,615,478
All Industries . . . . .	512,254	13,004,400,143

The use of steam is one of the things that has made possible this great industrial development. The extent to which water power has been replaced by steam and other power is shown in the following table: —

PER CENT THAT STEAM, WATER, AND OTHER POWER IS OF THE  
TOTAL HORSE-POWER IN THE UNITED STATES <sup>2</sup>

YEAR	STEAM	WATER	OTHER POWER
1870 . . . . .	51.8	48.2	
1880 . . . . .	64.1	35.9	
1890 . . . . .	78.3	21.2	0.5
1900 . . . . .	77.4	15.3	7.3

<sup>1</sup> Twelfth Census, "Manufactures," Pt. I, p. lxvi.

<sup>2</sup> *Ibid.*, p. cccxxxviii.

## STATISTICAL RESULTS

In the census of 1900 statistics were gathered concerning industrial combinations, but the following paragraph from the report of the Industrial Commission will give a better idea of the extent of the trust movement than any figures we can give:—

“The census figures do not permit a comparison of the proportion of any particular industry which is controlled by industrial combinations, and therefore give no clew to the extent to which such combinations are able to monopolize any industry. In many of the most important lines of industry combinations have secured control of a large percentage of the country's production. In many articles of steel a single combination controls 75 to 80 per cent of the output, and in some lines even more; in sugar, about 90 per cent; in petroleum, at least 82 per cent. In other industries, although the percentage of the entire output controlled by combinations is not so large, still there are organizations with very large capital. In the raising or distribution of agricultural products, such combinations, though not unknown — *e.g.* the United Fruit Company — are still rare. While a beginning has been made toward the combination of mercantile industries, not merely in department stores, but also in the union of several large establishments along similar lines, such as the combination organized by H. B. Claflin, yet by far the largest proportion of our mercantile business is still owned and managed by relatively small concerns. Many manufacturing

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industries, such as clothing, dressmaking, millinery, small tools, electrical specialties, house-furnishing materials, the textiles, and numerous other articles are substantially free from large combinations. The manufacture of cotton is perhaps the most important in which no combination of large size exists.”<sup>1</sup>

In spite of the fact that we have been becoming an industrial nation, the leading items of our exports are still agricultural products, as is shown by the following table: —

THE TEN LEADING ARTICLES OF EXPORT IN THE YEAR  
ENDING JUNE 1, 1901<sup>2</sup>

	PER CENT OF TOTAL EXPORTS
1. Cotton, unmanufactured . . . . .	21.48
2. Breadstuffs . . . . .	18.87
3. Provisions, comprising meats and dairy products .	13.49
4. Iron and steel, and manufactures of . . . .	8.03
5. Mineral oils . . . . .	4.87
6. Wood, and manufactures of . . . . .	3.59
7. Animals . . . . .	3.57
8. Copper, and manufactures of . . . . .	3.05
9. Tobacco, and manufactures of . . . . .	2.24
10. Leather, and manufactures of . . . . .	1.91

<sup>1</sup> Report of the Industrial Commission, Vol. XIX, p. 604.

<sup>2</sup> Annual Report of Treasury Department on Foreign Commerce and Navigation of the United States for year ending June 1, 1901. Vol. I, p. 164.

## STATISTICAL RESULTS

Cotton, breadstuffs, and provisions still make up over one-half of our exports. It will be of interest to compare with the foregoing a list of the —

### TEN LEADING ARTICLES OF IMPORT IN THE YEAR ENDING JUNE 1, 1901<sup>1</sup>

	PER CENT OF TOTAL IMPORTS
1. Sugar . . . . .	10.99
2. Coffee . . . . .	7.64
3. Chemicals, drugs, and dyes . . . . .	6.50
4. Hides and skins . . . . .	5.86
5. Cotton, manufactures of . . . . .	4.89
6. Fibre, vegetable, etc., manufactures of . . . . .	3.98
7. Silk, unmanufactured . . . . .	3.65
8. India rubber and gutta percha, crude . . . . .	3.50
9. Silk, manufactures of . . . . .	3.26
10. Fibres, vegetables, etc., unmanufactured . . . . .	2.79

These ten articles amounted to 53 per cent of the total imports in the year 1901. The imports of the United States are chiefly food and raw products, but manufactured articles are still a large although a declining part of them. In 1890, luxuries, manufactures ready for consumption, and manufactured articles for use as materials in mechanic arts constituted 44 per cent of the total imports, but in 1901 only 40 per cent.<sup>2</sup>

<sup>1</sup> Annual Report of Treasury Department on Foreign Commerce and Navigation of the United States for year ending June 1, 1901, Vol. I, p. 100.

<sup>2</sup> See Report of Industrial Commission, Vol. XIX, pp. 556-558.



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The following table shows the growth in our commerce since 1790:—

COMMERCE OF 1901 COMPARED WITH AVERAGE OF DECENNIAL PERIODS, 1790-1900<sup>1</sup>

TEN-YEAR PERIODS	ANNUAL AVERAGE OF TEN-YEAR PERIODS OF—	
	Imports	Exports
1790-1800 . . . .	\$59,184,545	\$46,774,236
1801-1810 . . . .	92,766,351	74,531,506
1811-1820 . . . .	80,811,927	58,989,222
1821-1830 . . . .	72,948,879	69,431,024
1831-1840 . . . .	119,520,679	103,550,201
1841-1850 . . . .	118,094,779	119,554,936
1851-1860 . . . .	284,475,036	248,887,460
1861-1870 . . . .	331,867,029	254,326,410
1871-1880 . . . .	535,221,512	589,300,719
1881-1890 . . . .	692,186,522	765,135,498
1891-1900 . . . .	763,327,858	1,024,869,210
1901 (Fiscal Year) . .	823,172,165	1,487,764,991

We see here a remarkable growth in the excess of exports over imports. It is not clear just how the international account is being balanced. Foreign nations cannot, of course, make good the balance by continued shipments in gold. It doubtless is true that, to some extent, we are becoming a creditor nation, or at any rate, ceasing to be a debtor nation.

<sup>1</sup> Annual Report of Treasury Department on Foreign Commerce and Navigation, 1901, Vol. I, p. 19.

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One of the clearest evidences of the internal growth of industry that statistics offer is in the increase every decade in the number of miles of railways in operation :<sup>1</sup>—

YEAR				MILES	YEAR				MILES
1830	.	.	.	23	1880	.	.	.	93,262
1840	.	.	.	2,818	1890	.	.	.	166,654
1850	.	.	.	9,021	1900	.	.	.	194,334
1860	.	.	.	30,626	1901	.	.	.	198,787
1870	.	.	.	52,922					

In thinking of the benefits which the development of a great transportation system has brought, we should not forget at what a cost of human life it is being operated. The following is the record for the last five years :—

### RAILROAD ACCIDENTS IN THE UNITED STATES<sup>2</sup>

YEAR	EMPLOYEES		PASSENGERS		OTHER PERSONS		TOTAL	
	Killed	Injured	Killed	Injured	Killed	Injured	Killed	Injured
1897	1,693	27,667	222	2,795	4,522	6,269	6,437	36,731
1898	1,958	31,761	221	2,945	4,680	6,176	6,859	40,882
1899	2,210	34,923	239	3,442	4,674	6,255	7,123	44,620
1900	2,550	39,643	249	4,128	5,066	6,549	7,865	50,320
1901	2,675	41,142	282	4,988	5,498	7,209	8,455	53,339

<sup>1</sup> Taken from Poore's "Manual of Railroads," 1902, p. v.

<sup>2</sup> Report of the Interstate Commerce Commission, "Statistics of Railroads," 1901, p. 97.

## EVOLUTION OF INDUSTRIAL SOCIETY

Just to what extent the increased production of wealth has been shared in by all classes, statistics do not tell us very clearly. There is good reason to believe that, absolutely, wages have been rising, even though the worker may possibly not have been getting his full share of increased production. Prices have been steadily falling, and yet money wages have on the whole risen. The following table will be of interest in this connection :—

MOVEMENT OF AVERAGE DAILY WAGES<sup>1</sup> IN GOLD IN CERTAIN CITIES OF THE UNITED STATES (REPRESENTING 255 QUOTATIONS) AND OF PRICES<sup>2</sup> IN GOLD

YEAR	WAGES	PRICE INDEX	YEAR	WAGES	PRICE INDEX
1870 . .	\$2.20½	119.0	1884 . .	\$2.49	102.6
1871 . .	2.39¼	122.9	1885 . .	2.47¼	93.3
1872 . .	2.45	121.4	1886 . .	2.47¼	93.4
1873 . .	2.35½	114.5	1887 . .	2.49¼	94.5
1874 . .	2.30¼	116.6	1888 . .	2.50¾	96.2
1875 . .	2.24¼	114.6	1889 . .	2.51½	98.5
1876 . .	2.18	108.7	1890 . .	2.52¾	93.7
1877 . .	2.24½	107.0	1891 . .	2.54½	94.4
1878 . .	2.30¾	103.2	1892 . .	2.56	
1879 . .	2.32	95.0	1893 . .	2.54¼	
1880 . .	2.34	104.9	1894 . .	2.49¼	
1881 . .	2.40¾	108.4	1895 . .	2.47¼	
1882 . .	2.44¾	109.1	1896 . .	2.45¾	
1883 . .	2.47	106.6	1897 . .	2.44½	
			1898 . .	2.43¼	

<sup>1</sup> Bulletin Department of Labor, 1898, p. 668.

<sup>2</sup> Aldrich Report, "Wholesale Prices, Wages, and Transportation," Washington, 1893, Pt. I, p. 100. The Aldrich Report receives

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Later investigations give the following results for the years succeeding 1890:—

YEAR	RELATIVE WAGES <sup>1</sup>	RELATIVE PRICES <sup>2</sup>
1890 . . . . .		112.9
1891 . . . . .	100	111.7
1892 . . . . .	100.30	106.1
1893 . . . . .	99.32	105.6
1894 . . . . .	98.06	96.1
1895 . . . . .	97.88	93.6
1896 . . . . .	97.93	90.4
1897 . . . . .	98.96	89.7
1898 . . . . .	98.79	93.4
1899 . . . . .	101.54	101.7
1900 . . . . .	103.43	110.5
1901 . . . . .		108.5

The first column includes data pertaining to 148 establishments, representing 26 industries and 192 occupations. The year 1891 is taken as a base for wages with which to compare the other years.

The second column is the summary of the relative prices of 261 commodities, the average price for 1890–1899 being taken as the base.

Whatever increase in wages there has been, it should be partly attributed to the efforts of trade

searching criticism from Professor Charles J. Bullock in his paper, "Contributions to the History of Wage Statistics," which appeared in the quarterly publications of the American Statistical Association, March, 1899, Vol. VI.

<sup>1</sup> Bulletin Department of Labor, 1900, p. 914.

<sup>2</sup> *Ibid.*, March, 1902, p. 235.

## EVOLUTION OF INDUSTRIAL SOCIETY

unions. Workers have had to fight for the increase. From the following figures we see that, in twenty-one years, the strikes in slightly over a half the establishments succeeded, in about a third they failed, and in the rest succeeded partly:<sup>1</sup>—

YEAR	PER CENT OF ESTABLISHMENTS IN WHICH STRIKES		
	Succeeded	Succeeded partly	Failed
1881 . . . . .	61.37	7.00	31.63
1882 . . . . .	53.59	8.17	38.24
1883 . . . . .	58.17	16.09	25.74
1884 . . . . .	51.50	3.89	44.61
1885 . . . . .	52.80	9.50	37.70
1886 . . . . .	34.50	18.85	46.65
1887 . . . . .	45.64	7.19	47.17
1888 . . . . .	52.22	5.48	42.30
1889 . . . . .	46.49	18.91	34.60
1890 . . . . .	52.65	10.01	37.34
1891 . . . . .	37.88	8.29	53.83
1892 . . . . .	39.31	8.70	51.99
1893 . . . . .	50.86	10.32	38.82
1894 . . . . .	38.09	13.50	48.41
1895 . . . . .	55.24	9.94	34.82
1896 . . . . .	59.19	7.47	33.34
1897 . . . . .	57.31	28.12	14.57
1898 . . . . .	64.19	6.38	29.43
1899 . . . . .	73.24	14.25	12.51
1900 . . . . .	46.43	20.62	32.95
TOTAL . . . . .	50.77	13.04	36.19

<sup>1</sup> Sixteenth Annual Report of the Commissioner of Labor, 1901, p. 35.

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Somewhat less favorable results are shown when the percentage which the successful strikers constitute of the whole number of persons engaged is considered.

Another way in which the working classes are being benefited is in the efforts that have been made to restrict child labor in factories. It is instructive to compare the movement in the various geographical divisions. In the cotton manufacture, for example, there is a marked decline in all sections except in the Southern states: —

### THE COTTON MANUFACTURE<sup>1</sup>

Percentage of Wage-earners who are Children under 16 years of age,  
1870-1900

GEOGRAPHICAL DIVISIONS	1870	1880	1890	1900
New England states . . . .	14.5	13.9	6.9	6.7
Middle states . . . . .	22.0	21.2	12.6	12.0
Southern states . . . . .	23.0	24.5	24.2	25.1
Western states . . . . .	31.1	21.3	13.2	9.0
United States . . . . .	17.0	16.2	10.7	13.3

A decline in the death-rate is a reliable indication of better conditions of living. Improvements in the water supply and sanitary regulations of many kinds make for well-being in ways that do not admit of money measurement. That progress has recently been made in this direction is evident from the following figures, showing the death-rate in 1880 and 1890 in certain cities: —

<sup>1</sup> Census of 1900, "Manufactures," Pt. I, p. cxxviii.

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CITIES	DEATH-RATE	
	1900	1890
Albany, N.Y. . . . .	19.3	25.5
Auburn, N.Y. . . . .	17.2	22.1
Boston, Mass. . . . .	20.1	23.4
Brockton, Mass. . . . .	13.2	15.2
Brooklyn, N.Y. . . . .	19.9	24.0
Buffalo, N.Y. . . . .	14.8	18.4
Chelsea, Mass. . . . .	18.7	20.2
Cincinnati, Ohio . . . . .	19.1	21.0
Cleveland, Ohio . . . . .	17.1	20.2
Hartford, Conn. . . . .	19.4	24.4
Jersey City, N.J. . . . .	20.7	25.6
Lawrence, Mass. . . . .	20.2	27.8
Lowell, Mass. . . . .	19.8	25.9
Newark, N.J. . . . .	19.8	27.4
New Haven, Conn. . . . .	17.2	18.8
New York, N.Y. . . . .	21.3	26.7
North Adams, Mass. . . . .	13.8	20.3
Rochester, N.Y. . . . .	15.0	17.3
Schenectady, N.Y. . . . .	15.1	22.2
Taunton, Mass. . . . .	19.8	21.7
Washington, D.C. . . . .	22.8	23.7
Yonkers, N.Y. . . . .	16.3	17.1

It is instructive to compare the changes in the death-rate at different age periods. The chief reduction of the death-rate has been in the earlier ages, and this means that a larger proportion of those born survive to the non-dependent or useful ages.<sup>2</sup> The following table shows that

<sup>1</sup> Twelfth Census, "Vital Statistics," Pt. I, p. lxi.

<sup>2</sup> Newsholme, "Vital Statistics," 3d ed., London, 1899, p. 304.

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the expectation of life at these ages has increased:<sup>1</sup>—

		ENGLAND AND WALES		
		1838-1854	1871-1880	1881-1890
Average lifetime between 16 and 65 years of age	Males	25.86	27.09	28.97
	Females	26.86	29.01	30.99

While this table is for England and Wales, the decline in the death-rate would indicate similar results in the United States. Furthermore, it is to be observed that in sanitary measures and in what is called “public medicine,” we have as yet scarcely made more than a beginning. We have reason to anticipate further progress and an increasing proportion of population in years of full vigor, the birth-rate declining somewhat, but a larger relative number surviving. This would seem to confirm the position that in the modern nation we have an increasing average of vigor and economic efficiency.

### LITERATURE

Industrial history is a large subject on which a great deal has been written in recent years. The following references are to those more important works which are at the same time accessible without great difficulty. They should be in every public

<sup>1</sup> Newsholme, “Vital Statistics,” 3d ed., London, 1899, p. 309.



## EVOLUTION OF INDUSTRIAL SOCIETY

library of any importance. The references in the foot-notes will be helpful to those who wish to make a special study of the subject.

ASHLEY, W. J., *An Introduction to English Economic History and Theory*. 2 vols. London and New York, 1888 and 1892. This is a scholarly work which traces the industrial evolution from the manor and the village community in the eleventh century to the close of the Middle Ages.

*Surveys Historic and Economic*. London and New York, 1900. This work is valuable to the scholar on account of its reviews of works within the field of economic history.

BRUCE, P. H., *Economic History of Virginia in the Seventeenth Century*. 2 vols. New York, 1896.

BÜCHER, CARL, *Industrial Evolution*, translated from the German by S. Morley Wickett. New York, 1901. The author is Professor of Political Economy, University of Leipzig, and bases his popularly written, but scientific, work upon a wide survey of sources, particularly those which relate to primitive economic conditions. He has made additions to our knowledge, but exaggerates the difference between himself and earlier students of industrial history.

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CUNNINGHAM, WILLIAM, *Growth of English Industry and Commerce*. 2 vols. New York, 1890 and 1892. A work for scholars rather than the general reader.

CUNNINGHAM, WILLIAM, and MCARTHUR, ELLEN A., *Outlines of English Economic and Industrial History*. New York, 1898. This is written with fulness of knowledge, and is a brief but excellent text-book.

HOBSON, JOHN A., *The Evolution of Modern Capitalism*. New York, 1895. This work, which is scholarly, not-

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withstanding a few minor errors, is perhaps the most interesting of all the works on industrial history. It takes hold of the problems of our time in a more vital way than any of the other books. It is to be hoped that it will be revised and brought down to date, so as to give an account of the most recent developments.

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A fragmentary but stimulating work.

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## PART II

# SOME SPECIAL PROBLEMS OF INDUSTRIAL EVOLUTION

# SOME SPECIAL PROBLEMS OF INDUSTRIAL EVOLUTION

## CHAPTER I

### COMPETITION : ITS NATURE, ITS PERMANENCY, AND ITS BENEFICENCE

A STRANGE contrast is afforded by the various utterances of popular economic literature touching the subject of competition. The following quotation furnishes us with a forceful expression of opinion adverse to competition, and may be taken as typical of views held by a class of sincere, enthusiastic champions of social reform:—

“Competition is not law, but lawlessness. Carried to its logical outcome it is anarchy or the absence of law. Man is a moral, spiritual, and social being, not dominated by animal law. There can be no such thing as a harmonized society with any competitive elements in it, and Christianity is impossible. Every man owes the world his life, and must live to have a life to give. In competitive conditions, not character, but cunning, survives. The gospel of success is the great insanity of modern materialism, absorbing the best brain, thought, and life of the race; we have been feeding

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our children to this great Moloch of success, but as a result we have been warping the intellect and making moral idiots.

“We are coming to a higher evolution, in which the law of mutual service shall be the law of life. Any attempt to build society on a competitive foundation is fundamentally anarchical. The idea of brotherhood has come to stay, and will not back down at the bidding of politicians, monopolists, or theologians. The years behind us are but a getting together of human material in a divine effort of perfected humanity. Democracy must be applied to reorganizing the machinery of the world.”<sup>1</sup>

Now let us put over against this utterance a clear-cut expression of opinion as favorable to competition as the words we have just used are unfavorable to this manifestation of social force in our economic life:—

“Competition was the gigantic motor that caused nearly everybody during the first nineteen centuries of Christian civilization to use all his mental and physical powers to get ahead. The best efforts of humanity, stimulated by competition . . . have lifted our race to a standard where the mode of living of common laborers is more comfortable and desirable than the everyday existence of the kings of whom Homer sings.”<sup>2</sup>

<sup>1</sup> *Cleveland Citizen*, March 14, 1896. Attributed to George D. Herron.

<sup>2</sup> Richard Michaelis in “Looking Further Forward,” pp. v and 85.

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Once again listen to this vigorous outburst in denunciation of competition, written some fifty years ago by a distinguished leader of Christian socialism in England: "Sweet competition! Heavenly maid! . . . Nowadays hymned alike by penny-a-liners and philosophers as the ground of all society, . . . the only real preserver of the earth! Why not of Heaven, too? Perhaps there is competition among the angels, and Gabriel and Raphael have won their rank by doing the maximum of worship on the minimum of grace. We shall know some day. In the meanwhile, 'these are thy works, thou parent of all good!' Man eating man, man eaten by man, in every variety of degree and method! Why does not some enthusiastic political economist write an epic on 'The Consecration of Cannibalism'?"<sup>1</sup>

On the other hand, listen to these words by a sturdy American, whose courage in denunciation of wrong in high places no one can rightly impugn:—

"The competition of economics is not the so-called competition of our great centres, where men strive to drive men to the wall, but the competition which leaves each in full possession of that productive power which best unites his labor with the labor of others. Competition is no more trespass than it is theft. It is the reconciliation of men in those productive processes which issue in the larg-

<sup>1</sup> Charles Kingsley, in "Cheap Clothes and Nasty," printed with Alton Locke, Vol. I, pp. 82-83.

est aggregate of wealth. It is not crowding men off their feet, but a means of planting them upon their feet.”<sup>1</sup>

These quotations could be multiplied indefinitely on the one side and on the other. We find it asserted on the one hand that competition is sinful warfare; that it is “division, disunion, every man for himself, every man against his brother”;<sup>2</sup> on the other hand that it is mutual service; that it is altruism of a superior quality; that it is the essence of the golden rule; that it is loving our neighbor as ourselves—in other words, that a correct rendering of Christian love is competition.<sup>3</sup>

Apparently such contradictory views admit of no reconciliation. But when we think seriously about the matter, we are forced to ask ourselves the question: How is it possible that men of undoubted capacity, of unquestioned sincerity, of warm enthusiasm for humanity, can hold views respecting competition, this great corner-stone of our economic order, so diametrically opposed that what the one cordially hates the other ardently admires as a source of abundance for all the deserving children of men? May it not be that, after all, these disputants are talking about somewhat different things, and that what is needed, first of all, is definition?

<sup>1</sup> John Bascom, on the “Moral Discipline of Business,” *The Kingdom*, Minneapolis, May, 1896.      <sup>2</sup> Kingsley, *loc. cit.*, p. 104.

<sup>3</sup> Edward Atkinson, on “Coöperative Competition,” *The New World*, September, 1895.

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What, precisely, do we have in mind when we discuss competition? Competition, in a large sense, means a struggle of conflicting interests. If we open our dictionaries and read the definitions there given, we shall find something like this in each one of them, "The act of seeking or endeavoring to gain what another is endeavoring to gain at the same time; common contest, or striving for the same object; strife for superiority; rivalry" ("Century Dictionary").

Professor Gide uses these words to tell us what he understands by competition in this large sense, "When each individual in a country is at liberty to take the action he considers the most advantageous for himself, whether as regards the choice of an employment or the disposal of his goods, we are living under the régime of competition."<sup>1</sup>

But we do not have enough precision in these definitions to answer our purposes. Economic competition, it is true, is a struggle of conflicting interests for valuable things, for what we call, in its widest sense, wealth. But is all struggle for wealth competition? If I knock you down with a sand-bag and rob you, is that to be called competition? If I fit out an armed ship and prey upon the commerce of the world, is that competition? If I cheat you by a lie, are the lie and the fraud part of the competitive process? The reply comes

<sup>1</sup> "Principles of Political Economy," by Charles Gide, translated by E. P. Jacobsen, 1892, p. 64.



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naturally, "No, you are now talking about criminal and wrong action."

But if it is not every struggle of conflicting interests that is to be denominated competition, we see at once that competition is a struggle which has its metes and bounds. I think we must say that the competitive struggle is limited by constitutional and statute law. It is a struggle whose boundaries are fixed by the social order within the framework of which we live and move and exercise our faculties in the pursuit of a livelihood. When we bear this qualification in mind, simple and obvious as it is, many difficulties begin to vanish like fog before the rising sun. Many a man, when competition is mentioned, thinks of wild beasts, tearing and rending each other in a death struggle for an insufficient supply of food. But such is only an incomplete and imperfect picture of the struggle for life, even among the brutes, and does not at all describe the struggle of competition among civilized men.

But even when we call to mind the limitations placed upon the struggle of conflicting economic interests by the social order, we do not yet have a sufficient idea of economic competition. It is essential that we add another element to our idea, in order to render it more nearly conformable to reality. We must bring to mind the great principle of evolution which is present wherever there is life. Nothing could well be more unscientific in the present age of science than to leave evolution out

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of account in our examination of anything so fundamental in society as competition. What light, then, does the principle of evolution throw upon competition?

The struggle for existence among the lower animals has become a commonplace of modern scientific thought, and equally familiar are the selective processes of nature, resulting in the survival of those fittest for their environment at a particular time and place. Not quite so familiar to all are other aspects of nature's methods. After the appearance of Darwin's epoch-making book, "The Origin of Species," biologists first brought out the hard and cruel side of the struggle for existence. Rousseau's pictures of mild and beneficent nature were replaced in their descriptions by the conception of nature as "red in tooth and claw with ravin." Even Huxley spoke of the animal world as on about the same level as a gladiator's show. "The creatures," said he, "are fairly well treated and set to fight; whereby the strongest, the swiftest, the cunningest, live to fight another day. The spectator has no need to turn his thumb down, as no quarter is given."<sup>1</sup>

Huxley in the words just quoted, is discussing the cruelty with which nature treats the lower animals. When he came to discuss the relation of man to nature, he found the process of external physical nature equally—or even more—cruel, and

<sup>1</sup> "The Struggle for Existence," *Nineteenth Century*, February, 1888.

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saw the only method of escape in the introduction of a human principle opposed to nature. This nature-process he speaks of as cosmic, and in his opinion this cosmic process is greatest in the most rudimentary stages and declines as civilization advances. "Social Progress," he says, "means a checking of the cosmic process at every step, and the substitution for it of another, which may be called the ethical process; the end of which is not the survival of those who may happen to be the fittest, in respect to the whole of the conditions which exist, but of those who are ethically the best."<sup>1</sup>

Later biological researches have seemed to make nature's competitive process still more cruel. Herbert Spencer has long been the most prominent leader among those who have followed Lamarck in the doctrine that acquired qualities can be transmitted. This doctrine Spencer has developed in its social aspects. It is a cheerful, optimistic doctrine for the human race. It means that the improvements which men acquire by their various physical and mental educational processes, accumulated in their own persons, can be transmitted to their offspring, and so to successive generations, and continuous improvement may take place in the qualities of those who are born. We have, or at any rate we may have, according to this doctrine, an increasing stock of qualities acquired and trans-

<sup>1</sup> *Vide* Huxley's "Evolution and Ethics," the Romanes Lecture of 1893, p. 33.

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mitted. Professor August Weismann has, however, in recent years been a leader among those who have disputed this doctrine, maintaining that the qualities which are acquired during lifetime are not transmitted to offspring, and, consequently, that the efforts of parents to improve themselves do not benefit their children by means of physical heredity. To use one of a thousand illustrations, all the efforts of a parent to improve himself musically do not make it one whit the easier for the child to become a musician. This doctrine is held to, in the main, still by biologists, although we have now a school of Neo-Lamarckians, who think that, within certain limits, acquired characteristics and qualities can be transmitted to offspring by physical heredity. Weismannism means that it is only by a weeding-out process, through selection, that physical improvement is to take place. The apparent cruelty of this selective weeding-out process has found frequent expression. Professor Lester F. Ward says that if Weismannism is true, then "education has no value for the future of mankind, and its benefits are confined exclusively to the generation receiving it."<sup>1</sup> And Professor Le Conte uses the following language: "If it be true that reason must direct the course of human evolution, and if it be also true that selection of the fittest is the only method available for that purpose; then, if we are to have any race improvement

<sup>1</sup> Quoted by Alfred Russel Wallace in "Studies, Scientific and Social," Vol. II, p. 508.

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at all, the dreadful law of the destruction of the weak and helpless must, with Spartan firmness, be carried out voluntarily and deliberately. Against such a course, all that is best in us revolts.”<sup>1</sup> Mr. Benjamin Kidd, in his well-known work, “Social Evolution,” attempted a sociological treatment of Weismannism. According to him, there is a necessary antagonism between the interests of the individual and the interests of society as a whole. He claims that the progress of the race results from a growth of population, which is excessive when we regard it from the standpoint of the interest of the individual. The excessive population must lead to the rejection of the inferior members of society, allowing the superior alone to live, and to continue the race. The unfit must become extinct. It is the office of religion, according to this theory, to induce the individual to follow a line of conduct which is antagonistic to his own interests, and for which reason affords no sanction. Religion, then, has as its function, to induce the individual to submit to the sacrifice of his interests for the sake of the whole, and to afford him consolation while he is doing so. We reach in this development the logical outcome of one line of thought-evolution.

But it was not long before careful observation revealed other aspects of nature’s processes. Mr. Alfred Russel Wallace long ago called attention to

<sup>1</sup> Quoted by Alfred Russel Wallace in “Studies, Scientific and Social,” Vol. II, p. 508.

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the comparatively painless character of the struggle among animals, and to the large amount of happiness in their lives. After reviewing the ethical aspect of the struggle for existence, he expressed the opinion that it affords "the maximum of life and of the enjoyment of life with the minimum of suffering and pain."<sup>1</sup> When we watch animal existences as a whole, and not in exceptional moments, can we conclude otherwise? But subsequent observers, going farther, have called attention first to the fact that the struggle is not for life merely, but for the life of others. These others are first of all offspring, but later mates and companions. Again, attention has been called to association and mutual aid among animals as part of the struggle for existence, and we have come to see that coöperation and the ability to coöperate are powerful weapons, even in the competitive subhuman struggle for existence.<sup>2</sup>

<sup>1</sup> "Darwinism," p. 40.

<sup>2</sup> Consult the series of articles on "Mutual Aid" by P. Kropotkin in the *Nineteenth Century*, September and November, 1890, April, 1891, and January, 1892, August and September, 1894, January and June, 1896.

These articles with a few additions have been published in book form under the title "Mutual Aid a Factor of Evolution." Mutual aid is traced by Kropotkin continuously from the lower animals to human beings. A distinction must be made, however, and a radical one. Among the lower animals mutual aid is a biological fact, which is a result of increased efficiency in the struggle for existence either with other animals or the physical environment, that is, the obstacles to existence in nature. This is different from the conscious coöperation of men in their higher activities.

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We must hasten on to the point where, as a result of organic evolution, we have the emergence of man. Among primitive men competition seems at first to take on more cruel forms than among animals.<sup>1</sup> But if evolution has apparently gone back a few steps, it is only to move forward mightily and unceasingly as social evolution for the achievement of ends whose grandeur we as yet but faintly apprehend. Competition, begun far below man with the very beginnings of life, persists as one of the most fundamental laws of animate existence, but evolution carries it to higher and ever higher planes. Primitive competition includes a narrow circle of association and, beyond that, slaughter for economic advantage. With social evolution slaughter gradually recedes into the background and falls below competition into the region of crime.<sup>2</sup> When men considered it dishonorable to gain by the sweat of the brow what could be won by the sword, battle belonged to economic competition; not so in the age of industry. From early times, and until recently, the competitive social order found within its framework a place for slavery; but as a result of social evolution, continued for ages, slavery falls below the plane of competition and is now regarded as

<sup>1</sup> See Darwin's "Descent of Man," Pt. III, Ch. XXI, where he compares favorably a monkey and baboon with savages.

<sup>2</sup> Huxley says of civilized man that "in extreme cases he does his best to put an end to the survival of the fittest of former days by axe and rope." See "Evolution and Ethics," p. 6.

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incompatible with civilization. Piracy, until a comparatively recent period of the world's history, held an honorable place within the competitive processes whereby men secured economic gain; but that in turn has fallen outside of and below the social order of competition.<sup>1</sup>

But since the beginning of this century, along with the persistence and increasing intensity of competition, elevation of the plane of competition has kept pace with the rapidity of social evolution. The labor of very young children has been outlawed; the labor even of grown men has in many cases been restricted, and unwholesome conditions and oppressive practices in numberless instances have been put below the plane of competition. We need not retrace this familiar ground. A former president of this Association, in one of its early publications<sup>2</sup> declared that one of the functions of government is to raise the ethical level of competition. He was himself surprised to find the

<sup>1</sup> Piracy and commerce were in primitive times very generally closely associated, and the former must be regarded as one of the chief origins of the latter. In the time of Homer the Phoenicians were both pirates and merchants. Where they had an opportunity by reason of superior strength to take goods from strangers, they did so without hesitation and apparently without the slightest moral scruples. Where, however, they came in contact with those too strong to be robbed, they appeared as traders and made profitable exchanges. "Phoenician" signified to the Greeks liar, thief, and kidnapper. See Keller's "Homeric Society," pp. 14-15.

<sup>2</sup> Henry C. Adams, "The Relation of the State to Industrial Action." Publications of the American Economic Association, Vol. I, No. 6, January, 1887, pp. 507-508.



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impression that the phrase produced. It produced that profound impression precisely because it is so pregnant with meaning. The phrase is a key, opening mysteries and revealing reconciliations of science and humanity.

We have already mentioned the fact of association among animals for mutual aid. Social evolution among men reveals growing association along with competition. One essential feature of social evolution, in its bearing on competition, is the enlargement of the associated competitive group. Here again the temptation to trespass upon your patience is strong, but it must be resisted. Many an address could be occupied entirely with a discussion of the grouping of men within the competitive social order. Thus we early find voluntary, loosely formed groups of employers pursuing common purposes; and also groups of workingmen likewise seeking to promote common interests. Again we notice a permanent organization of labor on the one hand and of capital on the other. Then we discover political associations embracing within themselves an infinite variety of competitive groups; and these political associations themselves having competitive features extend from the small hamlet to the mighty nation.<sup>1</sup> But competition does not stand alone. With it are associated sympathy, benevolence, and public authority. More-

<sup>1</sup> On this point the reader may compare Tarde's "Social Laws," pp. 29-133, and Fairbanks' "Introduction to Sociology," pp. 221-264.

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over, wisely directed humanitarianism strengthens each group, while ruthless selfishness among the members of the group gradually destroys power in competition.<sup>1</sup> The larger the competitive group, the wider becomes the sphere for generosity, the larger the safe scope of pity, and the milder may the competition become for the individual. Witness how the progress of modern nations in philanthropy attends growing efficiency in their economic struggles. International competition is a stern fact of our time. Is it not equally a fact that the most potent nations in this great dramatic world-wide struggle of interests are precisely those nations in which we find the highest individual and social development of altruism? Association and coöperation, the healing touch, benevolence, love, are all compatible with competition.

Fear has sometimes been expressed lest the humanitarian side of social evolution should lead to weakness and degeneration, and the world be

<sup>1</sup> Darwin saw this very clearly and attributed the social instincts, with all that they imply, to natural selection. Social instincts include protection, sympathy, and love as important elements, and the result is mutual protection and aid, giving a distinct advantage to groups having these traits over those not possessing them, or possessing them in less high degree. To use Darwin's own words: "Animals endowed with the social instincts take pleasure in one another's company, warn one another of danger, defend and aid one another in many ways. These instincts do not extend to all the individuals of the species, but only to those of the same community. As they are highly beneficial to the species, they have in all probability been acquired through natural selection." "Descent of Man," Pt. III, Ch. XXI.

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converted into Goethe's vast hospital. Such apprehension, I believe, does not rest upon a critical analysis of the forces at work in modern civilization. It is true that benevolence, manifested in and through progress, may keep alive some weak individuals, who in a harsher age would have perished, and that these weak individuals may take part in the propagation of the species, eventually leaving behind an enfeebled progeny. But with all its mildness, civilization lessens unfit reproduction, and, upon the whole does so to an ever increasing extent. It puts the feeble-minded in asylums, and discourages the marriage of paupers; while in its new attitude toward the criminal classes it shows an increasing inclination to detain them until it receives evidence that their malady is cured.<sup>1</sup> Moreover, by sanitation and other measures, modern civilization increases the strength and vigor of those who do survive. Comparisons of civilized men with savages and

<sup>1</sup> It must not be supposed that it is intended to assert that this movement has gone far enough. A few years ago it was estimated that only ten per cent of the feeble-minded were put under custodial care. All of them must be thus treated before the demands of benevolence and competition can be fully harmonized. But the movement has begun and is gathering force. It receives the support of modern scientific charity, and those workers in the field of charity who have sounded the alarm concerning the effects in this particular of indiscriminate charity, are optimistic concerning the power of society to control the evil in question and secure rational elimination along the lines indicated. This subject is further treated in Pt. II, Ch. III, which deals with "Social Progress and Race Improvement."

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with semi-civilized peoples, reveal the superiority of the former in physical vigor.<sup>1</sup> It is probable that never in the world's history have there been men and women whose average of efficient strength in the economic sphere was so great as that of the men and women who to-day inhabit Germany, England, and the United States of America.

Now, it is to be noticed that the selective processes which we are adopting in civilized society involve a decrease of pain and an increase of happiness in proportion as knowledge advances. The problem is to keep the most unfit from reproduction, and to encourage the reproduction of those who are really the superior members of society. When we take up the measures in detail which are recommended by wise men for the accomplishment of this purpose, we find that in the long run they increase the true happiness of the individual.<sup>2</sup>

Competition is the chief selective process in

<sup>1</sup>The following quotations from Bücher's "Industrial Evolution" confirm this view. "They [the Negritos in the Philippines] age early; at forty or fifty the mountain Negritos are decrepit, white-haired bent old men." English translation, p. 9. "All the races involved in our survey . . . in bodily condition give the impression of backward, stunted growth. We are not on that account, however, justified in regarding them as degenerate race-fragments. The evidence rather goes to show that the more advanced races owe their higher physical development merely to the regular and more plentiful supply of food which agriculture and cattle-raising for centuries past have placed within their reach." Cf. Alfred Russel Wallace's "Studies Scientific and Social," Vol. II, pp. 494-497.

<sup>2</sup>This subject receives more detailed and careful treatment in the chapter on "Social Progress and Race Improvement."

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modern economic society, and through it we have the survival of the fit. But what do we mean by "the fit"? We all know to-day that fitness has reference simply to conditions of a particular time and place. Bold and aggressive pirates were at one time fit for survival, but now they are likely to come to an untimely and ignominious end. Modern society itself establishes, consciously or unconsciously, many of the conditions of the struggle for existence, and it is for society to create such economic conditions that only desirable social qualities shall constitute eminent fitness for survival. A kind of society is possible, in which the beggar has this fitness, while the conditions in another society may be most unfavorable to the growth of parasitical classes.

The socially established competitive methods and the socially established ends to be attained by competition determine the kind of men who will survive in competition. Let me offer an illustration. To-day the civil service of the modern nation furnishes an opportunity for a livelihood to a considerable percentage of the population. Competition for admission to the civil service in order thereby to secure a support is found when we have the so-called spoils system, and the competition is intense and frequently bitter. This competitive contest issues in the survival of men with qualities known to us all. Civil-service reform does not remove competition; on the contrary it extends competition, but the difference in methods pro-

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duces corresponding differences in results. On the one hand, the extension of competition lessens bitterness, because it is more in consonance with our ethical demand for equality of opportunity; and the difference in competitive tests for success, issues in the survival of men with qualities of another sort from those who come to the top under the spoils system, and with qualities, most of us will say, of a higher kind.

Competition increasingly comes to mean worthy struggle, and true progress implies that success will be secured hereafter by conformity to higher and ever higher, nobler and ever nobler ideals.

Mr. Alfred Russel Wallace and Professor Lester F. Ward have called attention to the superiority of man's selection to nature's selection. Professor Ward has thus expressed the idea: "The economics of nature consists, therefore, essentially in the operation of the law of competition in its purest form. The prevailing idea, however, that it is the fittest possible that survive in this struggle is wholly false. The effect of competition is to prevent any form from attaining its maximum development, and to maintain a comparatively low level for all forms that succeed in surviving. This is made clear by the fact that wherever competition is wholly removed, as through the agency of man, in the interest of any one form, that form immediately begins to make great strides and soon outstrips all those that depend upon competition. Such has been the case with all the cereals and

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fruit trees ; it is the case with domestic cattle and sheep, with horses, dogs, and all the forms of life that man has excepted from the biologic law and subjected to the law of mind ; and both the agricultural and the pastoral stages of society rest upon the successful resistance which rational man has offered to the law of nature in these departments. So that we have now to add to the waste of competition its influence in preventing the really fittest from surviving." <sup>1</sup>

While in general we must agree with Professor Ward, it is open to question whether or not the process which he describes is to be called the suppression of competition, for his language is apt to lead to erroneous conclusions on the part of most readers. We think of competition among men as a selective process, whereby men are favored and chosen for the fulfilment of social tasks. It is this selection which he apparently has in mind. Now, what man does by his culture of plants and animals is simply an improvement of unaided nature. He assists nature, and removes and destroys as completely and as rapidly as possible those species and individuals which are not adapted to his purposes, and then he makes the best possible environment for those which serve his purposes most fully. Man makes competition do its perfect work. Man establishes the environment and selects the plants and animals for survival in the prearranged environment. It may be well to

<sup>1</sup> "Outlines of Sociology," pp. 257-258.

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repeat in different words what has already been said in regard to fitness, for the correct idea of fitness as a purely human idea cannot be too strongly emphasized. Weeds are just as fit for survival as the most nutritious food plant, so far as we can see when we have reference solely to external nature. Fitness means conformity to the conditions of the environment, and speaking from man's point of view it denotes both environment and survival suitable to human purposes. It is anthropo-teleological, to use a convenient technical term found frequently in Professor Ward's writings. Man makes an environment increasingly artificial as time goes on, and as he gains increasing power over the forces of nature.<sup>1</sup>

If the foregoing considerations are possessed of validity, we can readily see one of the tests to which we must submit proposed measures of social amelioration. A good social measure must strengthen the individual and the group for competition. On the other hand, the test of a bad condition is that it weakens individuals and groups, in the competitive struggle. Let me offer a single illustration.

In New York City a Tenement House Commission has been investigating the housing of the poorer classes in that city. Dr. Edward T. De-

<sup>1</sup> John Fiske has something very good on this in his "Destiny of Man," pp. 33-34, where he says, "Natural selection itself will by and by occupy a subordinate place in comparison with selection by man." But selection by man means regulated competition.



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vine, Secretary of the Charity Organization Society of New York, testified before the Commission as follows: "There is much destitution directly due to overcrowding, to the lack of light and air, and to infected walls, ceilings, and floors. The experience of the agents and visitors of the Charity Organization Society confirms what physicians have said in regard to the danger from tuberculosis and other diseases. The chances of recovery are much less because of the lack of vitality due to the unfavorable physical conditions under which the people are obliged to live."<sup>1</sup> Here our test reveals a thoroughly bad competitive condition. But, on the other hand, Dr. Devine stated that, "While the Commission might not be able to devise laws that would directly lower rents, it would be possible to provide for greater decency and comfort, and for more of the conditions that make for life and health, without necessarily increasing rents."<sup>2</sup> We see in this last suggestion conformity to the tests of a desirable measure of social reform.

If our analysis is correct, it clearly follows that competition is a permanent feature of human society. It begins with the lowest orders of animals and continues its action among the highest orders of men. But it continually mounts to higher and higher elevations, and means rivalry

<sup>1</sup> *Charities*, the official organ of the Charity Organization Society of New York, December 1, 1900, p. 18.

<sup>2</sup> *Ibid.*, p. 19.

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for ever better and better things. We leave behind contests for bare subsistence to engage in contests for noble prizes of the mind and for opportunities for social service.

We can, then, never allow competition to cease. Combinations of labor and combinations of capital may expand freely, so long as these combinations mean merely association and coöperation. But when combinations mean monopoly, either competition must be restored or, where this is impossible, the ends of competition must be secured by other methods of social control; and if these methods of social control in some cases mean public ownership and management of industries, a place must be opened for the competitive principle in the terms of admission to public employment.

It is at this point important to make a distinction too often overlooked; namely, the radical difference between that socialistic extension of governmental activity which has in view the suppression of competition, and that conservative demand for an extension of governmental activity which has in view the maintenance of competition. There are certain conditions of success in competition which many economists believe cannot be supplied individually, but must be furnished by collective action. Irrigation offers an illustration. It appears to be the general opinion of careful students of irrigation, that the laws of private property applied to water used for purposes of irrigation, ultimately produce cessation of competition; in other words,

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monopoly; and that as a condition of permanent and wholesome competition along with associated efforts, large public activity is required in the supply of water. A recent writer uses these words, and, as I understand it, he simply voices the consensus of opinion among experts. "In the vast majority of instances, and over the larger portion of the arid region, costly works will be required, and these can only be supplied by some form of public enterprise. The dividends upon the investment must be looked for, not in the strong boxes of security-holders, but in the increase of national wealth, in social progress, and in economic gains."<sup>1</sup> If this statement is correct, we who believe in competition must, in order to secure the conditions of its maintenance, ask for larger governmental activity in matters of irrigation.

I regret that I can do no more here and now than merely to allude to two somewhat antagonistic lines of evolution. One is the movement which approaches—without hope of ever reaching—real equality of opportunities in economic competition. This is one of the most powerful movements of the century just drawing to a close and must be borne clearly in mind by any one who would understand the great historical movements of that century. The other line of development is found in the construction of great institutions which shut in and limit competition, but which

<sup>1</sup> William E. Smythe, on "The Struggle for Water in the West," *Atlantic Monthly*, November, 1900.

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nevertheless are the very foundations upon which our civilization rests; the institutions which may be likened to social savings-banks or depositories of race achievements. I have here in mind the great economic-juridical institutions of society, such as private property, inheritance of property, and vested interests. The progressive approximation to equality in opportunities must not be permitted to go so far as to undermine these institutions. In the mutual adjustments of these two lines of evolution, namely, the equality-of-opportunity movement and the institutional movement, we have given us one of the weightiest and at the same time most delicate tasks of the twentieth century.

Competition thus conceived is beneficent, and the competitive order, rightly controlled by society, furnishes to men the maximum of pleasure with a minimum of pain. Not only does it insure progress for the race, but to an increasing extent all men participate in the benefits of this progress. We have no evidence that the competitive order is ultra-rational, and still less need we believe that it is anti-rational, as Mr. Kidd asserts.

Competition, suitably regulated, gives us a brave, strong race of men. Will they not use their bravery and strength for themselves exclusively? This question arises naturally, but the nature of the answer to it has already been intimated. We do not observe that weakness and cowardice are favorable to a considerate treatment of others;

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bravery and strength make it relatively easy to be merciful; and there are ever in our civilized society forces at work which bend to the purposes of society bravery and strength. Social evolution accomplishes this result. It has been well said that as organic evolution gives us man, so social evolution gives the ideal man.<sup>1</sup> But economic competition is an essential constituent of that social evolution which is producing the ideal man;

<sup>1</sup> This thought finds beautiful expression in the following language of the late Professor Joseph Le Conte: "Organic evolution reached its term and completion in achieving man. But evolution did not stop there; for in achieving man it achieved also the possibility of another and higher kind of evolution, and was therefore transferred to a higher plane, and continued as social evolution or human progress. Now, as the highest end, the true significance, the *raison d'être* of organic evolution, was the achievement of man; so the highest and real meaning of society and social progress is the achievement of the ideal man. This view entirely changes the relation of the individual to society by giving a new and nobler meaning to society. Individual interests must be subordinated to social interests, not only because society is the greater organism, nor even because it represents all other individual interests; but also, and chiefly, because society is the only means of achieving the ideal. The higher law, from this point of view, is loyalty, not to society, as the ancients would have it, nor yet to the conscience, as we moderns would have it, but to the divine ideal of humanity. Fortunately for us, however, the highest interests of the individual are also thereby subserved. . . . But subordination is not sacrifice. On the contrary, it is the highest success for the individual. In subserving this, the highest interest of humanity, each individual is thereby subserving his own highest interests. In striving to advance the race toward the ideal, he is himself realizing that ideal in his own person." — "The Effect of the Theory of Evolution on Education." Proceedings of the National Educational Association, 1895.

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and with competition are mingled other regulative principles. Psychologically, the ego and the alter ego, self and other self, arise together; economically they engage in many a conflict, but their spheres of interest are never entirely antagonistic to each other in the struggle for life. The ego — the self — enlarges the sphere of its selfhood; and this widening and deepening goes on until the Christian ideal of humanity is at last attained.

But the upward struggle is part and parcel of the attainment of ideals; and, rightly conceived, elevated to a sufficient height, this struggle in economic life means competition; it means rivalry in the service of self and other selves — rivalry in the upbuilding of the ideal man in the ideal society.

### LITERATURE

While competition is mentioned in every systematic economic treatise, it has not received adequate scientific examination. Most economic writers have assumed the existence of competition without any critical examination of its nature and its workings, although certain hypotheses concerning it underlie all explanations of economic life in modern times. Somewhat more attention has been given by economists to competition in recent years, but it still remains for an economist to treat the subject exhaustively. The subject reaches beyond economics, and much of the best writing on it thus far has been done by those who are not profes-

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sional economists. A few references which will prove helpful are given:—

BAKER, CHARLES WHITING, *Monopolies and the People*. 3d ed. New York, 1899. This work is especially noteworthy in this connection on account of Ch. X, presenting the Theory of Universal Competition, and Ch. XI, Laws of Modern Competition. This is one of the few attempts to define competition accurately and to formulate laws explaining its economic action. What has been done is scarcely more than a beginning, but as such it deserves more attention than it has received from economists.

BASCOM, JOHN, *Social Theory*, New York, 1895. Pt. II, Ch. II, Postulates of Economics.

CLARK, JOHN B., *Distribution of Wealth*. New York, 1899. This presents a theory of wages, interest, and profits as determined by competition working in an ideal manner. Many economists will be inclined to criticise the theory of competition here presented as altogether too optimistic. It must be remembered, however, that what is presented is not a picture of the actual world, but of the operation of competition in a world in which many restraints upon the workings of competition now existing are removed.

CLARK, JOHN B., and GIDDINGS, FRANKLIN H., *The Modern Distributive Process*. Boston, 1888. The first chapter of this book is upon the Limits of Competition, by Professor Clark, and the second upon the Persistence of Competition, by Professor Giddings. Even those not agreeing entirely with the positions taken by these two authors will admit that their treatment deserves careful consideration.

COOLEY, CHARLES H., *Personal Competition*. New York, 1899. This is one of the Economic Studies published by the American Economic Association. It is interesting and suggestive.

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## CHAPTER II

### RIVALRY AND SUCCESS IN ECONOMIC LIFE

It is proposed, in this chapter, to treat somewhat more in detail a few points which are discussed only in a very cursory way in the preceding. A general view of competition has been presented, and an effort has been made to show that we have, in the stimulus and selection which competition affords, both a permanent and a beneficial economic and social force. While the present work aims to be suggestive rather than exhaustive, it is felt, nevertheless, that at least a few discriminations must be made, and a few features of competition further elucidated, in order that misunderstanding may be avoided and thought directed along right lines.<sup>1</sup>

It is obvious that the word "competition" is employed in a very wide sense so as to cover a multiplicity of activities, having in them little in common, except rivalry of one sort and another. The "Century Dictionary," it will be recalled, de-

<sup>1</sup> The author trusts that he may, without impropriety, repeat the statement that he hopes, in a later work in the Citizen's Library, to give a fuller treatment of competition under the title "Custom and Competition."

defines competition as "the act of seeking or endeavoring to gain what another is endeavoring to gain at the same time; common contest, or striving for the same object; strife for superiority; rivalry." We have rivalry in many different fields, as among plants and animals; we have among men contests of physical strength, and also emulation in artistic and intellectual pursuits; we have military and commercial rivalry among groups and societies; it will conduce to clear thinking if we consider some distinctions which should be made in the uses of terms.

Let us take up, first of all, the term "rivalry." We may distinguish between three main forms of rivalry.<sup>1</sup> The first main form of rivalry is struggle for existence. This is biological rivalry, and to be successful involves reproduction. "The essentials of biological rivalry are survival with subsequent production of offspring by and with physical heredity."<sup>2</sup> Biologically, then, a being might die of old age and yet not survive, in case this being has no offspring. The second form of rivalry is personal rivalry or emulation. It is the contest among individuals for personal advantage of some kind. Individuals contend with one another for the sake of economic gain, or it may be even for victory in some game of skill. It always involves the element

<sup>1</sup> The general classification found in the articles "Rivalry" and "Struggle for Existence" in the "Dictionary of Philosophy," edited by Professor J. Mark Baldwin, is followed at this point.

<sup>2</sup> Quoted from article "Rivalry" in the "Dictionary of Philosophy."

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of consciousness, and is, therefore, psychological, and never simply biological, in the narrow sense of the term. In the third place, rivalry may be commercial and industrial, and becomes economic competition, which includes a large part of personal rivalry.

The struggle for existence is a struggle to maintain life and to leave offspring. This also takes three forms, following the classification of Professor Baldwin. There is first a struggle for food among animals when there is a deficiency on account of overpopulation. There is, in the second place, a struggle of animals with one another. This is not merely a struggle of individuals as individuals, but likewise a struggle of group with group. Even among the lower animals this is the case, as has already been pointed out in the preceding chapter. Among men this form of struggle becomes increasingly a struggle of group with group, and nation with nation. The third form of struggle is struggle with the obstacles which are imposed by the physical environment of animals, as heat, cold, etc. Adjustment is the process by which living beings succeed in meeting the conditions of inorganic environment. As a result of this struggle for existence, we have survival of those who are called the fittest; fittest, that is to say, with reference to conditions of time and place. It is to be noticed that biologists are laying increasing emphasis upon the second and third forms of struggle for existence, and not upon simple con-

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tests of one individual with another of like species, in order to secure food supply. This is especially significant when we come to the struggle among men, which is less and less a struggle for mere subsistence. It is true that there are very large numbers, and in older countries, even great classes, of men, who are struggling simply for the necessities of life, but it is also true that this struggle is gradually receding into the background, inasmuch as it involves in civilized society a decreasing proportion of the population. Famine was once common in all countries, but has now practically disappeared in those economically most advanced. There are vast areas in the United States in which the problem of subsistence has been so far solved that the conscious struggle among men is almost altogether for something decidedly above subsistence.

The word "competition" is loosely used to cover all the meanings of rivalry and struggle for existence which have been mentioned; but in economic discussions it is limited to struggles for economic advantage, and perhaps generally it would be well to confine the word "competition" so far as possible to the realm of economics. When, however, we come to competition with an economic import we also have a great variety of meanings. Economic competition is not any struggle of conflicting interests, inasmuch as it would then include even criminal contests for advantage. This is a point, too, which has already been mentioned, but it

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needs to be emphasized, inasmuch as so many in the discussions of competition overlook the fact of its limitations by custom and law. Competition in the large economic sense may be formally defined as *the struggle of conflicting economic interests on the basis of the existing legal and social order for the sake of economic advantage of one sort or another*. Competition, then, undergoes a process of evolution and is capable of unlimited regulation, provided the element of rivalry is not removed. Modern competition rests upon a basis of property both public and private, and of contract, and certain laws and customs which regulate personal conditions, giving us servitude or freedom in their various forms. Property and contract themselves are regulated, and change with economic development. Competition, then, takes for granted the fundamental institutions of economic society, and these qualify and limit the struggle for existence.

Competition in a narrower sense is differentiated from bargaining. In this narrow sense competition consists of the rival efforts of those who desire precisely the same thing. It is a competition of carpenter with carpenter, of blacksmith with blacksmith, and, on the other hand, of employer with employer to secure the services of labor. As a result of the competition of workingman with workingman who offer the same kind of services, and of employer with employer who desire this kind of services, we have the conditions determined for the bargain which takes place be-

tween the two sides. It is the bargaining which directly determines the distribution of wealth, giving us wages, profits, rents, etc. Strikes are concerned with bargaining rather than with competition in this narrow sense. A good deal of the economic trouble of our time comes from the fact that employer does not compete with employer, and employee with employee, and thereby fix the terms of the bargain made between them; but that combination faces combination, and with the partial failure of competition to establish the bargain which results in wages, profits, etc., no adequate substitute has been found.

We have a great many different forms of competition besides those mentioned. We have what is called personal competition, which has in view competition largely as a principle of selection of men for posts in economic society, and is a principle of organization.<sup>1</sup>

A distinction is also frequently made between commercial competition and industrial competition. Commercial competition fixes prices on the market for the time being, and raises and lowers prices in an effort to bring about an equilibrium between supply and demand. Industrial competition is competition of investors, and of classes of manual and intellectual workers, of such a nature as to

<sup>1</sup> *Vide* "Personal Competition, its Place in the Social Order and Effect upon Individuals; with some considerations on Success," by Charles H. Cooley, Ph. D., American Economic Association, "Economic Studies," Vol. IV, No. 2.

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equalize advantages of various pursuits and occupations. Competition of shoe manufacturer with shoe manufacturer is commercial competition; the shifting of capital from a less to a more profitable investment, and the shifting of a mechanic from an occupation which pays low wages to one which pays relatively high wages, gives industrial competition.<sup>1</sup>

It would take us too far from our present purpose to enter into a discussion of the various kinds of competition which could be mentioned; but one further distinction is especially important in the treatment of competition and monopoly, and that is the distinction between competition and industrial war. This is a distinction which popular language makes, but which has not been often adequately elaborated by economic writers. Competition is a permanent, steady pressure, whereas industrial war among rivals implies destructive attacks, which aim at a cessation of hostilities in agreement or combination. The rivalry of one grocer with another gives us an illustration of normal competition, whereas the rivalry of two competing gas companies in one city furnishes us with an illustration of industrial war. The first pressure is constant and brings benefit to consumers; whereas the sort of struggle in which the gas companies engage frequently reduces prices far below cost and de-

<sup>1</sup> *Vide* Hadley's "Economics," Ch. III, § 100; also, Cairnes' "Some Leading Principles of Political Economy," Pt. I, Ch. III, especially § 5.

stroys values, the struggle keeping up until one party or the other is defeated, or until they can decide upon terms of cessation of hostilities, resulting in some kind of agreement or even consolidation. The adherents of the competitive order of society believe in the possibilities of that normal competition which exerts a regular pressure, and serves as a stimulus in the efforts of rivals to serve the public; whereas the socialists have generally believed that all competition must eventually become industrial war, which will prove the death of competition itself.

This naturally leads us to a discrimination between one of the aspects of economic competition and the biological struggle for life. The struggle for life is frequently a direct and immediate struggle, as where two dogs fight for the same bone. Competition is, in the main, an indirect process of securing results. We do not immediately and directly seek our food and clothing, but perform social services and receive a reward which we exchange for food and clothing. We render services to society, and society rewards us in what we receive in economic commodities and services. Where competition is at its best, the more we give the larger our reward. It is in this way that competition can be spoken of as "a game of give and not a game of get."<sup>1</sup>

As competition becomes in modern times, in the

<sup>1</sup> Quoted from an address by Professor J. B. Clark, before the New York State Conference of Religion, November 20, 1902.



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most advanced countries, increasingly a struggle for something beyond subsistence, namely, a struggle for conventional necessities, comforts, and luxuries and honors, can it be said that it results in selection? It has the beneficent effect of stimulation, but does it result in a selection which affects the race? Is it correct to say, as in the preceding chapter, that the reform of the civil service issues in the survival of men with qualities superior to those who survive under the spoils system? Directly and immediately we do not have in this case survival in the true biological sense. We have survival of certain traits which conduce to success, but indirectly competition must have an influence upon biological survival. Those who have the traits which are fittest for the existing environment are those who will advance most rapidly, and who will be in a position to marry at a comparatively early age, and who will also be favored in the selection of marriage.

It becomes plain from what has already been said that the competitive system does not mean of necessity a never ceasing scramble and a perpetual pushing for advantage. Within the competitive system there are protected positions which should be the reward of merit. This may be illustrated by the case of professors and judges. Excellence should be the test of appointment or election, but the position once secured it should not be continually called in question. The same holds with regard to many positions in private employment.

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We have all sorts of boards and agencies of social control to encourage excellence within the competitive system. It is surprising, also, in view of much that is said about competition, to observe the general acquiescence in the rewards of competition when these are assigned on the basis of excellence. Complaint arises when something which is outside of and apart from the ability to serve society determines the selection. When in the private corporation favoritism prevails, and when in public life "pulls" determine appointments, we have disastrous consequences and pronounced dissatisfaction.

Property also protects men from the fiercest attacks of competition. The endeavor to secure a relatively protected position stimulates the efforts of men and leads to the accumulation of property. This is socially beneficial, and one of the most important lines of true social reform which can be suggested is the encouragement of accumulation of property through saving and frugal habits generally. It should be one of the special functions of government to afford opportunities for saving to those who are economically the weaker elements in the community, and to protect savings so as to have the widest possible diffusion of property. The arguments for postal savings-banks are conclusive, and have never been answered.

We must not go to the extreme position taken by some adherents of competition. Competition as it exists at present has its very grave evils, and a

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competitive system must always have its dark side. The position which a rational adherent of the competitive order takes is that to an ever increasing extent the evils of competition will be cured by the processes of social evolution, including individual and social self-conscious effort, and that, on the other hand, the evils which must remain are less than those of any other economic system, such as socialism.

Professor Baldwin shows in a most interesting manner, in his "Social and Ethical Interpretations," that the very processes of competition psychologically lead to the cultivation of altruism as well as egoism. Competition is a social process, and in it we must think of other selves as well as our own selves. We do necessarily picture situations to ourselves in which others are involved as well as ourselves, and we are forced to reflect upon the welfare of these others.

While adhering to competition we attempt to remove the worst abuses which now exist, such as those of the sweating system, the employment of young children, insanitary conditions in home and workshop, needless accidents to employees, particularly those of railways and great industrial establishments, and the adulteration of food products. Along all these lines we are making progress which can and should be greatly accelerated. There must necessarily remain economic evils which must be borne, and we have the opportunity for the cultivation of fortitude on the one hand and sympathy

on the other. The need of the ethical teacher and the preacher will never cease.

Another line of importance is suggested by the observation that competition has done its work when old age comes on, and that every provision for honorable old age is desirable, which first is practicable, and which secondly does not discourage proper effort on the part of those who have not as yet reached old age. This suggests a large extension of insurance, and in time old-age pensions under suitable regulations.

In conclusion, it must be admitted that there remains what has been termed the human rubbish-heap of the competitive system. There are those who are not able to live in its strenuous atmosphere. The sad fact, however, is not that of competition, but the existence of these feeble persons. The sadness consists in the hard facts of life of which competition takes cognizance. If the weakest are favored and their reproduction encouraged, we must have social degeneration. The recognition of these hard facts, with suitable action taken with reference to them, reduces the amount of human pain for the present and the future by public and private charity. The socially rejected must be cared for and given as happy an existence as possible, provided only that we do not encourage the increase of those who belong to this sad human rubbish-heap.<sup>1</sup>

<sup>1</sup> This chapter is so closely related to the preceding one that no separate bibliography is required.

## CHAPTER III

### SOCIAL PROGRESS AND RACE IMPROVEMENT

THE writer has taken the position in his treatment of competition that the altruism which has been developed in competitive society, and which has manifested itself in an infinite variety of methods for the alleviation of human suffering, prolongation of life, and the amelioration of man's social and physical environment, has been co-existent with the increasing strength and efficiency of men in modern civilized society. There are many who have taken a different position. Professor Alfred Marshall, the economist, has very grave apprehensions concerning the survival of the weak and feeble, who owe their survival to modern humanitarianism, modern medicine, and improvements in sanitation; while Mr. Alfred Russel Wallace, the great naturalist and co-worker with Darwin, tells us that on account of these modern improvements Darwin took a gloomy view of the future. But the present writer does not believe that these apprehensions are warranted by the facts in the case. Unfortunately, however, strange as it may seem, there never has been any serious investigation either by sociologists or biolo-

gists of the relative strength and vigor of man in the various stages of his evolution from savagery to the highest forms of civilization. There has been a great deal of talk on this subject, but no strictly scientific work. That there should be so much talk on the subject without any scientific basis, at first seemed to the writer so incredible that he felt obliged to ask his biological and sociological friends if they knew of any investigation into the facts which would warrant the frequent assertion of a dangerous decline in man's physical vigor. The same negative answer has been returned in every case.

The reasons for the view of a possible decline in vigor, due to modern improvements resting upon a combination of philanthropy and science, are obvious enough. The reasoning runs about as follows: Philanthropy and science keep alive men who would otherwise perish. These men reproduce their kind, and the result is an enfeebled progeny. Reproduction goes on, and as heredity determines chiefly the characteristics of those who live, we have a feebler parentage leading to a feebler race of men.

While assertions of this kind are frequently made, they produce comparatively little visible effect upon the growth of altruism and science. Even the most cold-blooded scientific men continue their researches, and aim both by preventive and curative methods to keep alive as many as possible, and to prolong the life of each individual to the

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utmost limit. The fund of altruistic sentiment continues to grow in the meantime. It would seem as if there were a very deep instinctive feeling that such good things as philanthropy and progress in knowledge could not, all appearances to the contrary notwithstanding, prove evil. The implications of the position that modern progress is leading to increasing survival of the unfit are truly startling. The great advances in medicine are in the region of preventive medicine, as it is called, which aims by general sanitary measures and correct mode of life to prevent disease, or at any rate to reduce it to its lowest terms. But if this is leading to an increasing number of an increasingly feeble population, should it not be checked? Man's increased power in the production of wealth means that it is easier than heretofore to furnish to all the necessities and even the comforts of life. The struggle for bare existence declines. If the view to which reference has been made is sound, should not efforts be put forth to hold back the wheels of industrial progress? May there not have been, then, a higher wisdom than has ever been supposed in the efforts of riotous workingmen in England, early in the last century, to smash machines? And what shall we say about the efforts in India to accumulate a famine fund, and extend and improve the means of communication so as to be able to fight famine successfully there as it has been fought successfully in Europe and America? Why not let the

famine continue for the sake of race improvement?

We do continue our efforts, science advances, and philanthropy marches triumphantly forward. Nevertheless, here and there we do find a certain scepticism, and possibly in places a partial paralysis of efforts.

While we have not had the needed scientific investigation of the strength and vigor of man in the various stages of his evolution, an analysis of the forces at work certainly gives strong ground for the belief which the present writer has expressed that never before has there been such a high average of strength and vigor, and that never before has there been such promise of increasing strength and vigor for the future. It is true that some unfit persons are kept alive, and that some of these become parents. We must ask, however, first, is this number larger now than formerly? Is this number larger in the present stage of civilization than in the lower stages? Furthermore, in the second place, we must ask whether any forces have come into operation to offset, or more than offset, the fact that some now are kept alive who in an earlier civilization would have perished.

Taking up the first question, we may say that there is every indication that the number of the absolutely unfit has not increased, but, on the contrary, has in the most advanced countries tended to decline. The parasitical classes are the most unfit, and there is evidence that their number has



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been reduced. Statistics would seem clearly to indicate this in England, and probably in Germany. Where serious and long-continued efforts have been made in this country to reduce the number of these classes, moderate success appears to have been achieved. There have been earlier stages of civilization in which beggary was thought to be a virtue. It has even been asserted that in Cologne at one time one-fourth of the population consisted of paupers. Reports of travellers in countries of inferior civilization, such as India, lead us to think that the strength and vigor of this population is far below that of European countries. In any stage of civilization beyond the lowest, men and women are, as a rule, kept alive; and it is hopeless to expect that they will be allowed to perish because they are beings unfit for parentage. But it is in the higher stages of civilization that there is the most effort made to prevent parentage on their part.

Let us then take up the second line of inquiry, and ask what other forces are coming into operation which tend to secure race improvement. Race improvement is a result of selection on the one hand, and of environment on the other. When we speak of environment as the cause of improvement, we do not mean to imply the transmission of acquired qualities. It is very true, as Mr. Alfred Russel Wallace asserts, that you cannot secure race horses by cultivating speed in a miscellaneous assortment of horses, and giving them an

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environment suitable for racers. What a good environment does is to make the dray horses stronger dray horses, and to make them become the progenitors of a stronger race of dray horses. This is a truth upon which every man who is engaged in breeding acts daily. Our human problem is not to breed any one particular kind of men. We want all kinds of useful men, manual workers, skilled toilers, intellectual leaders. The improvement of environment gives us stronger and more vigorous men of all kinds. Among men and among animals we can, on every hand, see the results of an improved environment. It is shown in the statistics of the boys in schools, colleges, and universities, for the statistical examinations reveal a large and vigorous physique. It may be objected that there must have been a selective process among the parents, and this is a partial explanation; but more abundant food and more sanitary surroundings all have their effects. The more carefully one examines into the statistical data, the more strongly, it is believed, will one lay emphasis upon the importance of a good environment, giving us a larger number of strong and vigorous survivals.

There always will be some who are upon what we may call the ragged edge, those who just manage to live whether the conditions of life are more or less strenuous. This has always been, and must necessarily always be, the case. But what is the condition of those who are away from this ragged

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edge? The improvements of which we have spoken give them an improved physical outlook, and will lead to a better reproduction. If we think in the concrete and bring before our minds illustrations taken from our own experience, this will become clear. A gentleman, for years connected with one of the greatest hospitals in the country, tells the writer that long-continued illness in a family will at times reduce the whole family to the parasitical class. The family funds will become exhausted, the struggle to maintain a position among the self-supporting and self-respecting population will gradually be abandoned, and the whole family will sink to a lower plane. There begins a degradation which there is every reason to fear will continue into future generations.<sup>1</sup>

We have not only the physical heredity, but,

<sup>1</sup> The late Colonel Waring of New York City, who transformed the street-cleaning service of that city, in speaking about the prevention of deaths by sanitary measures, says that every one of these abnormal deaths means "forty times as many serious and corrupting illnesses." This is taken from Professor J. G. Brooks' recent work, "Social Unrest," p. 247. The statement by Colonel Waring could hardly be intended as a scientific estimate. Dr. Arthur Newsholme, in his "Vital Statistics," however, says that to the lives saved by improved sanitation we add "at least four times as many attacks of non-fatal diseases" (p. 151), and in speaking about the greater mortality of weakly children from infectious diseases in earlier times, he says: "We personally think that the weeding out of weakly lives, caused by the greater mortality among weakly children suffering from an infectious disease, is almost entirely counterbalanced by the greater number of children made weakly in former times by non-fatal diseases" (p. 316; this, like the preceding quotation, is from the third edition).

what has been so aptly termed by Professor J. Mark Baldwin, social heredity.<sup>1</sup> This social heredity means the general social environment, the thoughts, the habits, the ways of looking at things, the mental self-assertion on the part of the surrounding individuals. Now the social heredity of those who are born in a family which has fallen below the level of self-respect and self-maintenance is extremely bad. What does modern science and modern philanthropy do in cases of long-continued illness? One thing which is attempted is to provide for their proper treatment. Frequently they are obliged to leave hospitals before they are thoroughly cured. To provide for complete recovery, convalescents' homes are being established in connection with hospitals. Scientific charity attempts to place upon their feet those who have suffered from disease or from temporary misfortune.

But there are forces at work which must tend to improvements in the race due to selection. Never before since the days of Greece and Rome was more emphasis laid upon physical training, and never before was physical strength and prowess more highly esteemed. Even prize fighters are national heroes to whom the newspapers give up whole pages, where they give lines only to pure intellectual achievements. Athletic contests in our universities at times overshadow the intellectual work which we have heretofore supposed their

<sup>1</sup> In his "Social and Ethical Interpretations in Mental Development."

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main purpose. No intellectual effort of a professor is heralded far and wide like the feats of a great athlete among the students. A true story brings out the attitude of the American boy. A lad in a preparatory school, visiting the University of Wisconsin, was quite excited when on the campus he met some one who was actually acquainted with the great football player, the punter, Pat O'Dea. The boy evidently felt himself honored to come as near the hero as this. Presently some one mentioned the president of the university, Dr. Adams, and he said, in a bewildered way, "Who is President Adams?"

Now along with this high esteem in which physical superiority is held goes an increasing freedom of women in their choice of husbands. More and more civilization allows women to choose among the various classes. More and more do modern conditions give them a wide range of choice, and this leads to a preference for men with superiority of some sort. Mr. Wallace, who has been so frequently quoted, looks to the increasing freedom of women as a means whereby the race will be improved. Female choice, he says, will result in a better natural selection. Mr. Wallace thinks that when women become economically more independent—and they actually are becoming more independent economically—a considerable number will feel not strongly inclined to marriage and will prefer to remain single rather than to take a husband who does not really satisfy them. On

the other hand, with improvements which reduce accidents in industry, the number of men who will survive will be increased, and the women who do care to marry will have a larger range of choice. This cannot be elaborated further in this place.<sup>1</sup> It is interesting to notice that a woman who has written thoughtfully on "Women and Economics," Mrs. Charlotte Perkins Stetson,<sup>2</sup> expects that the greater economic freedom of women will result in improved selection of husbands.<sup>3</sup>

Let us next take up the degenerate classes, and ask whether any effort is being made to prevent their reproduction. Little has as yet been done, but in civilized society the subject has never before attracted so much attention, and never before probably has there as much been done as now to prevent their reproduction, while there is every reason to believe that a great deal more is going to be done in the future.

Criminals are confined for longer or shorter periods in jails or prisons, and they are, during this time, deprived of their opportunities for reproduction. The tendency of modern penology is to urge that criminals should be confined until thoroughly reformed, even if this results in life imprisonment. Those who are morally weak

<sup>1</sup> *Vide* "Studies, Scientific and Social," by Alfred Russel Wallace, Vol. I, p. 523, and especially Vol. II, pp. 507-508.

<sup>2</sup> Now Mrs. Gilman.

<sup>3</sup> "Women and Economics," by Charlotte Perkins Stetson, pp. 92, 110, 111, *et passim*.

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should be placed where they cannot do any harm either directly themselves or indirectly through a degenerate posterity.

Paupers and feeble-minded are being placed in custodial institutions of one sort or another, and they are being denied, to an increasing extent, opportunities to become the parents of a vicious progeny. This means much.

Comparatively few people realize how strong is the quiet movement now going forward to regulate marriage, with a view to improve natural selection of those who are to continue the race. This movement can be traced back for at least forty years, and probably no one has been more worthily active in it than Mrs. Josephine Shaw Lowell, who, as member of various societies and organizations, has called attention to the conditions which have obtained in New York State. Investigations have been made from time to time during the past thirty years in New York, showing to how large an extent the most unfortunate classes in the community are the descendants of those who are physically, mentally, and morally absolutely unfit. One of Mrs. Lowell's pamphlets, entitled "One Means of Preventing Pauperism," shows the shocking condition of things which has existed in New York State from the motherhood of pauper and feeble-minded women. In this report she says, referring to the Tenth Annual Report of the New York State Board of Charities, "Even a casual perusal of this report will convince the reader that one of

the most important and most dangerous causes of the increase of crime, pauperism, and insanity is the unrestricted liberty allowed to vagrant and degraded women.”<sup>1</sup> She then goes on to give the records of a few of the women found in various poorhouses of the state. The Legislature of New York State, in 1878, made provision for the establishment of a home for feeble-minded and idiotic pauper women. In 1880 this home contained one hundred inmates. The result proves to have been thoroughly satisfactory. It is said, in the Report of the State Board of Charities for 1880, that “the institution affords complete protection to its inmates and thoroughly trains them to industrial pursuits; and as the cost of maintenance and care exceeds but little, if any, that of the poorhouses and almshouses for the same class, it can no longer be regarded as experimental. There are still considerable numbers of females of this class, in our poorhouses and almshouses, who are without the supervision and oversight adequate to their protection, and we believe it would be wise economy for the state to extend its custodial accommodations so as to include these.”

The efforts begun in a feeble way have continued, and more and more has been accomplished in New York State. The movement has also spread to other states, where homes for the feeble-minded have been established. As to the poor-

<sup>1</sup> “One Means of Preventing Pauperism,” by Mrs. Josephine S. Lowell, p. 3.



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houses, we have reached a condition where at least the more intelligent portion of the community no longer consider it a joke when two pauper inmates are married. Doubtless we shall soon reach a time, as in older countries, when nothing of the sort will be tolerated.

But the regulation of marriage, which is proposed, and which is being pushed forward by physicians and thoughtful people,—by people who are the farthest removed from any possible designation as cranks,—looks beyond the prevention of the marriage of paupers and feeble-minded. A literature on this subject is growing up, as yet confined chiefly to medical journals and reports of medical associations. There lies before the writer the text of a law passed by Michigan, which prohibits the marriage of persons having certain maladies.<sup>1</sup> There also lie before him bills introduced in four legislatures, in 1901, to regulate marriage. These are the legislatures of Indiana, Ohio, Minnesota, and Wisconsin. The following is the full text of the Indiana bill of 1901, known as the Lindley Bill, from State Senator Thomas J. Lindley:—

“Be it resolved by the General Assembly of the State of Indiana, That it shall be the duty of the Governor of the State of Indiana immediately upon

<sup>1</sup> Law of 1899, Section 6, “No insane person, idiot, or person who has been afflicted with syphilis or gonorrhoea, and has not been cured of the same, shall be capable of contracting marriage.”

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the adjournment of the present session of the General Assembly to appoint five persons, eminent in their respective professions or spheres, two of whom shall be physicians, and one of whom shall be a man learned in the law, and two of whom shall be women who have been married and are mothers.

“It shall be the duty of the Commission to investigate and inquire into the laws pertaining to marriage and divorce, the physiological and hygienic effect of marriage under certain conditions and circumstances upon the offspring and society, and what are the rights, powers, and obligations of the State in the premises.

“It shall be the further duty of said Commission to make full report of their investigations, under the provisions of this resolution, and their conclusion reached, together with such recommendations relating thereto as to measures which may be adopted to remedy or mitigate evils now existing, which result in great domestic suffering and infelicity, and entail great expense upon society and the State; also to prepare and submit, as part of their report, a remedial bill for the consideration of the General Assembly of the State, which report and bill shall be submitted to the next regular session thereof, to be held in the city of Indianapolis in 1903.

“It shall be the duty of all public officers or other persons to assist said Commission in acquiring the information desired by answering questions and exhibiting records, and in all other proper ways.”

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or any other officer who may hereafter be authorized to issue marriage licenses, after having received notice, to grant such licenses to persons, either one of whom shall be at the time of making application therefor confined in any jail, prison, or workhouse upon any criminal charge, or under bonds therefor; or to any couple, either one of whom shall be a pauper or public charge, the woman being under fifty years of age; or to any person afflicted or supposed to be afflicted with epilepsy, tuberculosis, or syphilis, unless such person shall procure from a local health officer of the State, county, municipality, or town in which such applicant resides, a sworn statement in writing that such applicant is not afflicted with such disease."

This bill, after passing the Senate, failed in the House, as did the bill in 1901. The first bill, however, is really preferable, in order that legislative action may be preceded by ample and scientific inquiry. This movement is, as already intimated, but in its infancy. But, with the kind of people who are pushing it forward, there is every promise that it is going to attain great prominence. The results will be, in time, a considerable degree of elimination of the most unfit for parentage.<sup>1</sup> This

<sup>1</sup> In this connection it should be observed that the last Congress by an act approved March 3, 1903, has provided for the exclusion from our immigrants of the most unfit classes. This act should be viewed as simply one manifestation of a growing desire and determination on the part of the people of the United States to raise the quality of our population. The following is a quotation from the

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Senator Lindley made the following statement concerning this bill: "For a long time my attention has been directed toward the necessity of having as much attention paid to the breeding of human beings as was devoted to the breeding of stock. On my farms I use science on animals that are not suitable to breed from. I reserve the very best. If I did not, my stock would run out and I would go to the poorhouse.

"There is complaint against the present divorce laws. Divorces are too common. Every one is allowed to mate and breed. Why not restrict those who are unsuitable to breed for the good of the human race?

"The Commission should provide for physical examination of all desiring to marry. This would include their racial tendencies, moral, mental, and physical condition, whether they are of sound mind, free from chronic deadly diseases, and not moral degenerates. If the several governments would devote a little attention to this subject for a few years, two generations would see a different people on this earth. It is a radical but sound idea." This bill failed of passage, as did the other bills referred to. In the present session (1903) Senator Lindley introduced another bill, from which the following is a quotation:—

"SECTION I. Be it enacted by the General Assembly of the State of Indiana, That it shall be unlawful for any clerk of the court, deputy clerk,

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itself, as an advance beyond what the world has seen heretofore, means much. It is also entirely in line with what is desired in accordance with Mr. Wallace's statement: "What we want is not a higher standard of perfection in the future, but a higher average, and this can best be produced by the elimination of the lowest of all, and the free intermingling of the rest." <sup>1</sup>

Apart from legislative effort, private action must be affected by enlightenment, and an improved sentiment concerning marriage, with the result that, voluntarily at least, more of the physically unfit will refrain from marriage.

It is, perhaps, not quite true that, apart from the really unfit in the community, we desire a free act just mentioned: "All idiots, insane persons, epileptics, and persons who have been insane within five years previous; persons who have had two or more attacks of insanity at any time previously; paupers; persons likely to become a public charge; professional beggars; persons afflicted with a loathsome or with a dangerous contagious disease; persons who have been convicted of a felony, or other crime or misdemeanor involving moral turpitude; polygamists, anarchists, or persons who believe in or advocate the overthrow by force or violence of the Government of the United States, or of all government, or of all forms of law, or the assassination of public officials; prostitutes, and persons who procure or attempt to bring in prostitutes or women for the purpose of prostitution; those who have been, within one year from the date of the application for admission to the United States, deported as being under offers, solicitations, promises or agreements to perform labor or service of some kind therein; and also any person whose ticket or passage is paid for with the money of another, or who is assisted by others to come, unless it is affirmatively and satisfactorily shown that such person does not belong to one of the foregoing excluded classes."

<sup>1</sup> "Studies, Social and Scientific," Vol. I, p. 525.

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intermingling of all the rest of the population. We desire our racers, as well as our draught horses, but natural and sexual selection seem to be quite able to take care of this matter. We do have a great deal of selection going on. Like marry like, the old adage to the contrary notwithstanding, and we shall have intellectually and spiritually superior families in the future quite as much as in the past.

We have much to learn as to who are the fit physically and mentally, and as to the measures to secure the best reproduction. What is here stated must be regarded as only suggestions, which, it is hoped, will be followed up by others, and upon which the writer will be glad himself to do further work, if leisure therefor can be found. The writer can in this place only describe such thoughts and observations as have convinced him that never before has there been a higher degree of vigor in modern nations, and never before have more promising efforts been made to maintain, and even to increase, man's physical powers and economic efficiency.

## LITERATURE

The literature of this subject is so vast, is found in so many books and magazines, is quite largely so difficult and technical, and is also, for the purposes of the present chapter, for the most part, so unsatisfactory, that the attempt to give references is at the outset discouraging. It would be possible

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to write an entire book upon the literature, but it is not easy to mention comparatively few works which will prove helpful to the ordinary reader. Nevertheless, several titles are given below. Should there be those desiring to carry the study farther, the publications mentioned will put them in the way of still further sources of information.

BILLINGS, J. S., The Diminishing Birth-rate in the United States. The Forum, June, 1893.

BROWNELL, J. L., The Significance of the Decreasing Birth Rate. Annals of the American Academy of Political and Social Science, July, 1894, Vol. V.

BRYCE, JAMES, Relations of the Advanced and Backward Races of Mankind. Romanes Lecture. Oxford, 1902.

DICTIONARY OF PHILOSOPHY. J. Mark Baldwin, editor. New York, 1903. Consult articles dealing with authors and topics mentioned in this chapter.

EDSON, CYRUS, American Life and Physical Deterioration. North American Review, October, 1893.

FETTER, FRANK A., Social Progress and Race Degeneration. The Forum, October, 1899.

GALTON, FRANCIS, Hereditary Genius. New York, 1871.

GIDDINGS, FRANKLIN H., Principles of Sociology. New York, 1896. Bk. III, The Historical Evolution of Society. Bk. IV, Social Process, Law and Cause.

JORDAN, DAVID STARR, The Blood of the Nation. Boston, 1902. Emphasizes (and perhaps too strongly) the influence of war in removing many of the stronger men and thus leading to race deterioration. The modern railway, at least in the United States, injures and destroys more men than modern war. Those who have access to the Army and Navy Journal will do well to read in this connection an article which appeared in the issue for July 21, 1900, entitled "The Hell of Railroading"—taken of

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course from the familiar statement that "war is hell." It is very well that Dr. Jordan has called attention to the significance of war in race deterioration, but a full scientific account of the forces at work in determining the character of the race must take note also of industrial accidents which kill so many more men. Nor can it in a scientific inquiry be assumed, without careful investigation, that the men who are destroyed by industry, especially the railways, are less valuable considered as fathers than the men who are destroyed by war. These remarks are pertinent as calling attention to the scientific aspects of the case. Practical philanthropy will lead us to inquire whether or not in the case of war we may avoid this loss, and whether or not in the case of industry we can afford the expenditure which would prevent bodily injuries and the loss of life; since by far the larger proportion of accidents to employees, especially to those of railways, are preventable.

KUCZYNSKI, R. R., The Fecundity of the Native and Foreign-born Population in Massachusetts. *Quarterly Journal of Economics*, November, 1901, and February, 1902. Vol. XVI.

NEWSHOLME, ARTHUR, The Elements of Vital Statistics. 3d ed., "almost entirely rewritten." London and New York, 1899. In the discussion of Social Progress and Race Improvement, Ch. XV on The Influence of Climate and Social Conditions on Mortality, and Ch. XXVI on The Decline in the English Death Rate and its Causes are especially valuable. But the whole work may be recommended since a knowledge of vital statistics, "the science of numbers applied to the life history of communities and nations," will be an aid to the serious student in avoiding many pitfalls in the discussion of this complicated subject.

PACKARD, A. S., Lamarck, the Founder of Evolution. New York, 1901. The last chapter is a statement of the principles of Neo-Lamarckism.



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PEARSON, KARL, Chances of Death, and other Essays in Evolution. London and New York, 1897.

PEARSON, KARL, A Grammar of Science. 2d ed. London, 1900. Ch. IX, Life; Ch. X, Evolution (Variation and Selection); Ch. XI, Evolution (Reproduction and Inheritance).

RITCHIE, D. G., Darwin and Hegel. London and New York, 1893. Ch. I, note on Heredity as a Factor in Knowledge. Ch. II, Darwin and Hegel. As the title indicates, this is an examination of the scientific relation between the two great leaders of thought named, and also an inquiry into the biological controversy between the Lamarckian and Weismannite. Ritchie is critical and always thought-provoking.

Darwinism and Politics. 2d ed. London, 1891.

ROWNTREE, B. SEEBOHM, Poverty: a Study of Town Life. 3d ed. New York, 1902. Especially Ch. VII, The Relation of Poverty to the Study of Town Life.

WARD, LESTER F., Outlines of Sociology. New York, 1898. Ch. XI, Individual Telesis; Ch. XII, Collective Telesis. Psychic Factors of Civilization. Ch. XXXVIII, Sociocracy, and Ch. XXXIV, Meliorism.

Pure Sociology. New York, 1903. It is difficult to make a selection of chapters, but perhaps Ch. XI, Social Dynamics; Ch. XIX, Conquests of Nature; and Ch. XX, Socialization of Achievement, may be specially mentioned.

WEISMANN, AUGUST, Essays in Heredity. 2 vols. Oxford, 1891.

WELLS, H. G., Mankind in the Making. Cosmopolitan Magazine, November, 1902.

Human Evolution an Artificial Process. Fortnightly Review, Vol. LX.

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## APPENDIX A

### INSTITUTIONS FOR THE FEEBLE-MINDED IN THE UNITED STATES

For the following brief account of the establishment of institutions for feeble-minded in this country, the present writer is indebted to Dr. A. W. Wilmarth, Superintendent of the Wisconsin Home for Feeble-minded at Chippewa Falls.

"In Massachusetts, January 22, 1846, a committee of the House of Representatives were ordered to consider the expediency of appointing commissioners to inquire into the condition of idiots in the commonwealth," to ascertain their number, and whether anything could be done for their relief. On the report of this commission, the legislature appropriated \$2500 for an experimental school.

"In New York, in the same year, a bill was introduced into the Senate, but failed in the Assembly. This was repeated in 1849, 1850, 1851, when the first legislation was effected by the passage of an act entitled 'An Act to establish an Asylum for Idiots and making an appropriation therefor.'

"In 1848 a private school was opened at Barre, Mass., which is still in successful operation.

"The first legislation in Pennsylvania was that which established, on April 7, 1853, the Pennsylvania Training School at Germantown.

"April 17, 1857, the Ohio legislature passed a bill creating the Ohio Institution for Feeble-minded.

"The Board of Commissioners, whose investigation led to the establishment of the Connecticut School for Feeble-minded was appointed in 1855.

"Kentucky granted the charter for the Kentucky Institution February 11, 1860.

"Illinois started an experimental school for the teaching of these children as an adjunct of the Deaf Mute Institution at Jacksonville, shortly after Kentucky had taken action.

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"Institutions were organized in Iowa in 1876, in Minnesota in 1879, in Indiana in the same year.

"The Kansas Institution was established in 1881, that of California in 1883, and that of Nebraska in 1887.

"Maryland purchased a site for its institution in 1888. New Jersey started with two institutions about the same time.

"Washington opened separate accommodations for the feeble-minded in 1891.

"Michigan began operations in 1895.

"The legislature of Wisconsin made an appropriation for the erection of buildings in that state in 1895, though the buildings were not occupied until early in 1897.

"Pennsylvania opened a second institution in the western part of the state the same year. North Dakota is opening an institution at Grafton. In Colorado, New Hampshire, and Maine, active work is being done towards organizing this work in those states."

In another letter Dr. Wilmarth calls attention, in the following language, to another important consideration: —

"There is one passage in your article that attracted my attention especially: 'But with all its mildness, civilization lessens unfit reproduction, and on the whole does so to an ever increasing extent,' etc. I think that is liable to be more true in the future than it has been in the past. It has, indeed, put the feeble-minded in asylums, where it has educated some of them to an extent that they are able to go out, earn some kind of a living, naturally marry some one of about their own grade of intelligence, and, sad to say, in some cases produce a large family of defectives. It places the insane in hospitals, allows them to return to their families even before recovering, and invariably so as soon as such symptoms have passed as would make them a menace to the community.

"I see in the Report of the Conference of Charities in Topeka, that Hon. J. D. Alexander states: 'We have in the Institution for the Feeble-minded (in Ohio) eleven imbeciles that are the children of a person taken into that institution thirty years ago, and then allowed to go out to bring back a

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brood of imbeciles.' The authorities in this state have wisely taken the ground that imbecile girls committed to our care should stay with us until the age of forty-five, unless we are assured that they are going into perfectly safe care. When we can check the flood of degeneracy from this source, we shall not only have the advance which you describe, but we shall check in large measure the current flowing in the opposite direction. I think the state should pass laws sufficiently strong to curb indiscriminate marriage, and yet not so radical as to make them inoperative. I know of no better law yet framed than that in Connecticut, which punishes any one marrying an insane, feeble-minded, or epileptic person, and imposes a penalty on any one who aids or abets such a marriage."

## APPENDIX B

### CONNECTICUT LAW REGULATING MARRIAGE<sup>1</sup>

§ 1354. *Marriage of Epileptics and Imbeciles.* — Every man and woman, either of whom is epileptic, imbecile, or feeble-minded, who shall intermarry, or live together as husband and wife, when the woman is under forty-five years of age, shall be imprisoned not more than three years. But nothing herein contained shall be construed as affecting the mutual relations of any man and woman lawfully married on or before the thirty-first of July, 1895. — 1895, Chs. 325, 350.

§ 1355. *Procuring or aiding such Marriage.* — Every person who shall advise, aid, abet, cause, or assist in procuring the marriage of the persons described in § 1354, knowing them or either of them to be epileptic, imbecile, or feeble-minded, shall be fined not more than one thousand dollars, or imprisoned not more than five years, or both. — 1895, Ch. 325.

§ 1356. *Penalty for Carnal Knowledge in Certain Cases.* — Every man who shall carnally know any female under the age of forty-five years who is epileptic, imbecile, feeble-minded

<sup>1</sup> From Revised Statutes of Connecticut, 1902.

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or a pauper, shall be imprisoned not more than three years. Every man, who is epileptic, who shall carnally know any female under the age of forty-five years, and every female under the age of forty-five years who shall consent to be carnally known by any man who is epileptic, imbecile, or feeble-minded, shall be imprisoned not more than three years. — 1895, Ch. 325.

§ 1357. *Joining Persons in Marriage without Authority.* — Whoever undertakes to join persons in marriage, knowing that he is not authorized so to do, shall be fined not more than five hundred dollars, or imprisoned not more than one year, or both. — 1865, Rev. 1888, § 1561.

## CHAPTER IV

### MONOPOLIES AND TRUSTS

#### I. *General Statement of the Problem*

FIRST of all, it is essential that we should have a clear idea of monopoly as a starting-point. To use the language of the philosopher Locke, the word "monopoly" is a sign standing for an idea. What is that idea? Unless we know exactly what it is that we are talking about when we are discussing monopoly our own thought will be confused, and the confusion will be multiplied many fold when the discussion becomes general. There can be no doubt that in economic literature, as well as in the periodical press, this one word-sign, monopoly, has been made to stand for many different and more or less antagonistic ideas, and as a consequence the controversies in which we have been engaged concerning monopoly have produced comparatively little action and even less light. Undoubtedly the economists are quite largely responsible for the confusion of thought which has been introduced into the discussion of monopoly, for, extending the term to cover related but quite different economic concepts, they have departed

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from the best usage of the English language. The courts in their decisions have not gotten so far away from the correct use of language, but their decisions also show confusion of thought, due to the fact that they have frequently attempted to introduce ideas appropriate to the seventeenth century into recent decisions without that modification which the mighty industrial evolution of three centuries has necessitated.

To what do we oppose most sharply the word "monopoly" in our thought? The answer at once given is competition. Monopoly is the opposite of competition. Competition means, among other things, rivalry in the offer of services or commodities. When each one of two or more persons seeks to induce us to purchase of him, and not of others, services or commodities which he has for sale, we have a condition of competition. Whenever, on the contrary, we have only one seller, we have a condition of monopoly; and we have only one seller when all those who have services or commodities of a particular kind for sale have so bound themselves together that they act as one man. What has been said with respect to sales would also hold true with respect to purchases. It is unity in some one kind of business which gives us monopoly. The following is then offered as a definition of monopoly which accords with good English usage: *Monopoly means that substantial unity of action on the part of one or more persons engaged in some kind of business which*

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*gives exclusive control more particularly, although not solely, with respect to price.*

It is not now possible to discuss this definition exhaustively.<sup>1</sup> One or two things, however, must be said. What is essential is control of price. The other things which monopoly carries with it flow from such control and are not secure without it. In the second place, the fact must be emphasized that absolute unity of action is not requisite. The essence of monopoly is *substantial and controlling* unity of action, and this is given when a combination of men acting together as a unit have a dominating position over the sale of some one kind of commodity or service. Mr. Havemeyer, president of the American Sugar Refining Company, at one time said that a man producing eighty per cent of the product had such a position. The percentage, however, is a variable one.

The definition of monopoly which is here given brings before us its social significance in several most important particulars. As it is the opposite of competition, so the protection which competition gives to society is removed by monopoly. The theory of competition is that we are protected against unreasonable demands by the rivalry existing among competitors. The farmer who is tempted to ask an exorbitant price for his potatoes is held in check by his neighbors who have potatoes which they likewise desire to sell. The retail merchant

<sup>1</sup> The entire subject is discussed at far greater length in the author's work, "Monopolies and Trusts."



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who places an excessive valuation upon his services finds that his rivals, more moderate in their demands, take away his customers from him. This is all simple enough, but it has a profound meaning which has made a deep impress upon English common law. Competition has been regarded for ages as a corner-stone of our industrial order, while monopoly has been held to be a menace to that order. The decisions of courts, both in our own country and England, proceed upon the hypothesis that competition is the palladium of our industrial liberties. It is true that competition is a corner-stone of our present social order. If competition is removed, something else must be put in place of it. It is because this truth has been so clearly grasped by socialism, and because socialism does propose to put something else in the place of competition, that the logical position of socialism has proved so strong. It is essential that we should clearly grasp the fact that we must have competition or something else in the place of it. If this is so, the popular apprehension in regard to the growth of monopoly does not exaggerate its significance, however confused and perplexed public opinion may be in other particulars. The next question which suggests itself naturally is this : To what extent does monopoly actually prevail? Has competition been replaced to such an extent that the competitive order has been seriously disturbed? If we cannot give a precise and definite answer to the first question, there can be no doubt that the

second question calls for a decided affirmation in reply. Appeal may be made to the familiar experience of all. We continually run up against monopoly in one way or another, and we feel that we lack the protection which full and free competition would afford. It may be that we have to do practically with one employer wherever we seek work. It may be that in the sale of our product we encounter purchasers so allied that they act as one man. It may be that in our own purchases of services we feel ourselves powerless because we are pitted against vast combinations of interests which are completely unified. Probably there will be few adult readers of these words who have not felt themselves hurt and aggrieved by what they deemed the conscienceless action of monopoly. We may, however, approach the subject more analytically and scientifically if we examine into the classification and causes of monopoly. This is essential if we are to think clearly on the subject of monopolies and trusts. One main reason why we have made so little practical and so comparatively little scientific progress in the treatment of this subject is attributable to the failure to analyze and classify very complex forces and phenomena, and the result has been that we have been dealing with things essentially different as if they were all one in kind.

There are many different points of view from which we may regard monopolies, and consequently many different classifications. The follow-

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ing classification, based on causes of monopoly, is one which has proved especially helpful to the author in his own thought:—

### A. SOCIAL MONOPOLIES.

#### I. General Welfare Monopolies.

1. Patents.
2. Copyrights.
3. Public Consumption Monopolies.
4. Trade-marks.
5. Fiscal Monopolies.

#### II. Special Privilege Monopolies.

1. Those based on Public Favoritism.
2. Those based on Private Favoritism.

### B. NATURAL MONOPOLIES.

#### I. Those arising from a Limited Supply of Raw Material.

#### II. Those arising from Properties Inherent in the Business.

#### III. Those arising from Secrecy.

This classification of monopolies brings before us, by the analysis which it presents, the wide sweep of monopoly in modern industrial society. The simple enumeration itself does that, even without explanation of the various classes and subclasses. A few words, however, about some of these classes are essential.

*A Social Monopoly is a monopoly which arises out of social arrangements and is an expression of the will of society as a whole, through government, or*

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*of a section of society strong enough to impose its will on society. A Natural Monopoly, on the other hand, is a monopoly which rests back on natural arrangements as distinguished from social arrangements.*

The term "natural" here is used in its well-understood and customary sense, to indicate something external to man's mind. A natural monopoly is one which, so far from giving expression to the will of society, grows up apart from man's will and desire, as expressed socially, and frequently in direct opposition to his will and desire thus expressed.

Public consumption monopolies are monopolies designed to regulate consumption beneficially, either to promote some desirable consumption, or to restrict and confine within limits deleterious and injurious consumption. The alcohol monopoly of Switzerland, the Japanese opium monopoly in Formosa, and the South Carolina dispensary system afford illustrations. Fiscal monopolies are monopolies which are created primarily in the interest of the public treasury. The tobacco monopoly of France affords the best illustration. Monopolies based on public favoritism are monopolies which are due primarily to the action of public authority exerted in the interest of favorites. The old Tudor monopolies, against which protest was made so frequently in our early constitutions, afford abundant illustrations. Hume gives a vivid description of them in the reign of Elizabeth, in his "History of England." Private favoritism

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monopolies are businesses not naturally monopolistic, which have become monopolies by virtue of an alliance with another monopoly, especially a natural monopoly, whereby they partake of the properties of the latter. Here special reference is made to the favoritism of railways, which has been so potent a cause of monopoly in the United States. This is well known, probably, to most people, and so far as the sceptical are concerned, it is in this place sufficient simply to refer to the reports of the Interstate Commerce Commission. The question may arise, however, why monopolies resting back on private favoritism are called social monopolies. It is true that they do not express the will of society as a whole; on the other hand, they do give expression to the will of a social class strong enough to make its purposes prevail in society, and they are furthermore social because society is responsible for their existence, inasmuch as it is the function of society to prevent their existence.

Those monopolies arising from properties inherent in the business are those ordinarily designated as natural monopolies, although here they are presented simply as one subclass under the general term. They are railways, telephones, gas-works, etc. We have two other classes of natural monopolies. The first of these classes consists of monopolies based upon a supply of raw material so limited that the sources of supply have been brought under unified control. Either one man has secured the

sources of supply, or a combination of men who act together with substantial unity. Anthracite coal affords a familiar illustration. As time goes on it is not unlikely that other sources of supply will be monopolized. It is a question on the one hand of limitation of sources and the wealth which can be brought under unified control. The more limited the supply and the higher the degree of concentrated ownership of wealth, the easier will be the formation of this kind of monopoly. Secrecy is one cause of monopoly, and to this increasing importance is apparently attached by manufacturers. It is placed under the head Natural Monopolies, because it is due to the private action of individuals and is not the expression of a conscious purpose of society.

It is hardly too much to say that the value of all monopolized businesses in the United States more probably exceeds a sixth of the entire valuation of property in the United States than falls short of this proportion.

If we have now a clear idea of what monopoly means, and of the extent to which it prevails, the next question which naturally suggests itself is this: What precisely is the power of monopoly? The specific power of monopoly is that which arises from unified action on the part of monopolists. It is especially, although not exclusively, a power over price, and has been felicitously described by a German economist as unified tactics with respect to price. We should, however, in

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connection with our inquiries into the power of monopoly, give attention to the other things than the power to raise price which monopoly carries with it. This is especially important, inasmuch as almost exclusive attention has been directed to the power of monopoly to raise price. The one who is a monopolist, as he has exclusive control over his products, can, for that very reason, withhold supplies or services or furnish them irregularly. If we examine into the power of railways to help forward their favorites and to crush those whom they will, we must not think by any means merely of freight rates. If rates are uniform, while of two competitors one always receives cars when he wants them and the other has difficulty in securing cars for shipment, or if the freight of the one is forwarded promptly while the freight of the other is frequently sidetracked, this alone will sometimes be sufficient to build up the one and to ruin the other. We must also direct our attention to everything connected with railway terminals, for in special advantages connected with these lies a large monopoly power, and in some cases these are alone a sufficient force to produce monopoly.<sup>1</sup> An illustration is afforded by the transfer of passengers and baggage between railway stations in many American cities.

But in addition to the power to raise price, we must also take into account the power to lower

<sup>1</sup> In the case of the United States against the "Beef Trust," the government makes a special point of advantages of this kind as well as special freight rates.

price, which is often equally effective. If, after I get in my supplies, you, my rival, order yours and secure transportation at lower rates, you have an advantage over me which may prove sufficient to enable you to drive me from business. How easy it is for those in a secret combination to aid one another with advance information concerning changes in monopolistic prices! and frequently it will make no difference whether prices are to be raised or lowered.<sup>1</sup>

It is true, however, that what we have to consider principally in the case of monopoly is the high profits which the monopolist can secure. It is this excess of price especially which is of vital significance in the distribution of wealth. It has long been said that the monopolist charges that price which enables him to secure the highest net returns. The monopolist having control over supply may in one way charge what price he pleases, as the courts so often state that he does. He must, however, charge a price which will enable him to dispose of his product. He does have control over supply, but he does not have control over consumption. If people refuse to buy his services or commodity, he has no sales and no profits. He

<sup>1</sup> The various monopolistic devices to bring other producers into harmonious action with monopolistic concerns are well called clubbing by Professor John B. Clark, in his "Control of Trusts" (*e.g.* p. 59). Mr. George L. Bolen, in his "Plain Facts as to the Trusts and the Tariff," gives description of different methods of wielding the "monopoly club." Consult the references under that term in the Index of his book.



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must reduce prices until he has that combination of sales and profits on each sale which will give him the highest net returns.

This is all more or less familiar ground, but there is something that is still more fundamental, and that the author has endeavored to formulate in a new law of monopoly price, which is as follows: *Other things being equal, the greater the intensity of customary use, the higher the general average of economic well-being, and the more readily wealth is expended, the higher the monopoly charge which will yield the largest net returns.*<sup>1</sup>

The significance of the intensity of customary use is something which cannot now be discussed, but it is desired to direct attention particularly to the other features of this law of monopoly price. The higher the general average of well-being, other things being equal, the higher the price which people will pay for commodities or services rather than go without them. Consequently this furnishes the monopolist with an opportunity for greater gains than those which could be reaped in a country with a lower average of well-being. Similarly, the more readily people spend money, the higher will be the price which will yield the largest net returns, because the higher the price which people will pay for commodities or services rather than forego their enjoyment. We find these two conditions in high degree meeting together in the United States,

<sup>1</sup> This and other points are further elaborated in the author's "Monopolies and Trusts."

and this explains why it is that monopoly is among us so especially profitable. Probably there is no other country in the world in which monopoly, if let alone, yields such large returns as in our own country. Again, there is no other country among the great civilized nations of the world in which monopoly has been so let alone, so far as any real effective control is concerned, as it has been in the United States. We have, then, in the law of monopoly price a partial explanation of the vast concentration of wealth in the United States. We have abundant illustrations on every hand of the vast fortunes which monopolistic pursuits have yielded in our country, and we have an explanation of them which will, the writer believes, appeal to his readers and which, indeed, in his opinion, will grow upon them the more they think about it. We may take as an illustration street-car fares in our own country and in other countries. There is evidence going to show that the price for street-car service in our great American cities which yields the largest net returns to the street-car monopolist is five cents. Apart from all legislative control, it is not probable that in our great cities it is in the interest of the owners of street-car property to charge more than five cents. With our high average of well-being and our readiness in the expenditure of money, a five-cent fare reaches down into the masses of the people. Doubtless it is too high a fare for the lowest social strata, and yet it reaches so far down that probably the in-

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crease in traffic from a lower fare would not offset the loss in profit on each passenger transported. In a country like Germany, on the other hand, a five-cent fare would probably be too high to yield the largest net return to the monopolist, inasmuch as, with the lower general average of economic well-being and the greater frugality, a fare so high would not reach down far enough into the masses of the people to induce a sufficiently large traffic to be most remunerative. The fare in Berlin for one of their zones is 10 pfennige or 2.4 cents, and the writer is strongly inclined to think that that is the fare which yields the largest net returns. Our telephone service affords another illustration. It is safe to express the opinion that in a city like Berlin the charges for telephone service which large numbers pay in New York and Chicago would so reduce the use of the telephone that it would not be highly remunerative.

Our discussion of monopolies has brought before us the evils of monopoly. It may be well to add, in further elucidation of these evils, a quotation from a leading British case known as the Case of Monopolies. It is the case of *Darcy vs. Allein* of 1602. The court stated the evils of monopoly in these words:—

“First. ‘The price of the same commodity will be raised, for he who has the sole selling of any commodity may and will make the price as he pleases. . . . The second incident to a monopoly is that after the monopoly is granted the commodity is not so good and merchantable

as it was before ; for the patentee, having the sole trade, regards only his private benefit, and not the commonwealth. Third. It tends to the impoverishment of divers artificers and others, who, before, by the labor of their hands in their art or trade, have maintained themselves and their families, who now will of necessity be constrained to live in idleness and beggary.’ ”

This exposition of evils has been very frequently indorsed by American courts, and one of these courts adds this comment upon the third ground mentioned: “The third objection, though frequently overlooked, is none the less important. A society in which a few men are the employers and the great body are merely employees or servants, is not the most desirable in a republic ; and it should be as much the policy of the laws to multiply the numbers engaged in independent pursuits or in the profits of production as to cheapen the price to the consumer. Such policy would tend to an equality of fortunes among its citizens, thought to be so desirable in a republic, and lessen the amount of pauperism and crime.”

We have, then, on the one hand the oppression and tyranny which must flow from monopoly in a society composed of human beings, and on the other hand we have the inequalities in opportunity which discourage effort in two directions. Those who have these exclusive opportunities are not so alert and active as they would be otherwise, inasmuch as they rely upon monopoly rather than upon excellence and energy in their economic

efforts, while those who find themselves so handicapped in the race for economic well-being are apt to become listless and indifferent as the result of discouragement. We are speaking now, not about what happens in the early days of monopoly, but what must happen in the long run as the result of well-known principles of human nature. We have, then, as a further outcome of the evils mentioned, a degree of concentration of wealth which affords to some opportunities for indulgence of every whim and caprice, with wild extravagance as the result, while others lack the opportunities for a full and harmonious development of their faculties. Without entering into this farther at present, it may be said that history furnishes abundant evidence of the pernicious social effects of wanton luxury confronted by poverty. Lecky's "History of European Morals" gives a conservative statement of the ethical consequences of luxury. That great thinker, Aristotle, whose wise words still have deep meaning, may be consulted for a discussion of the difficulties of uniting wide extremes in the distribution of wealth with political democracy. Our courts do not at all exaggerate the dangers of monopoly, even if they do not always clearly see the direction in which remedies must be sought.

This chapter is entitled "Monopolies and Trusts," but thus far nothing has been said about trusts. The reason why nothing has been said about trusts is because, in the strict sense of the word, there is no such thing as a trust problem.

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Until we have this clearly in mind, we can make no progress in our discussion of monopolies and trusts. The trust in itself is no problem. But this must not be misunderstood. When men talk about trusts they are discussing real and vital problems, and analysis will show that, in so far as the discussion of the trust problem is an intelligent discussion, it resolves itself into three problems: first of all, and chiefly, a monopoly problem; secondly, a problem of concentration in production; and thirdly, a problem of wealth concentration, — quite a different thing from the problem of concentration of production. Concentration of production means large-scale production. It means the great factory and the mammoth department store. Concentration of production has its own problems, but these may coexist with the keenest competition, as they usually do in both the cases just mentioned. Large-scale production, when it comes about as the result of the free play of economic forces, is justified by its efficiency. When it is able to maintain itself in a fair field without favors it gives a large return for expenditures of capital power and human labor power. It adds thus to the provision for human comfort, and should be no more antagonized than machinery should be. The real problem is to utilize it fully while reducing to a minimum any evils incident to it. Many of the evils which large-scale production originally brought have already been mitigated by humane legislation which has regulated conditions of em-

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ployment. Reference is made especially to what is popularly known as factory legislation, which prohibits the employment of young children, and regulates beneficially sanitary conditions surrounding wage-earners, and otherwise helps them to maintain wholesome conditions of life. Other evils which concentration of production has brought are those which investors have suffered on account of dishonest management of great enterprises, and for this relief must be sought in the improvement of our law governing private corporations. Something more will be said about this remedy presently.

### II. *Analysis of the Steel Trust*

Let us now consider these principles as applied to the greatest of all trusts, the United States Steel Corporation. Articles on this billion-dollar trust—or more accurately speaking, billion-and-a-half-dollar trust—have mostly regarded this new gigantic enterprise as a unit. It is a unit as a business undertaking, but on its economic side it is a unit which is made up of varied and complex parts and forces, and it cannot be understood as a manifestation of industrial evolution unless we analyze it.

It is an undoubted fact that in this new trust we have one of the most startling phenomena in the economic history of mankind. It is quite natural that it should be spoken of as constituting the “World’s Greatest Revolution,” while another

writer<sup>1</sup> is forced to compare the magnitude of the operations involved to the incomprehensible figures which greet us in astronomy, in order to give us some notion of the vastness of this new corporation of corporations. Yet the thought occurs to us that we can measure astronomical forces. Can we not by analysis gain a clearer apprehension of the industrial forces which have met together and united in the United States Steel Corporation? While in human affairs we may not expect to discover the fine accuracy of astronomy, we cannot know how nearly we may approximate such exactness until we have tried.

One of the first things revealed to us by analysis is that in the steel trust we do not encounter something new in kind. The forces at work in this combination are old and familiar, and it is simply the degree in which they manifest themselves that is new. This becomes clear enough to us if we examine the kinds of industries which have been brought under unified management. What then are the kinds of industries which have been gathered together into this new trust?

Among the most prominent of these industries we find those engaged in mining operations. The appropriation of natural treasures, existing below the surface of the earth, is a chief feature in the projected work of the steel trust. These treasures are all more or less sharply limited in supply, and in many cases the limitation is such as to make

<sup>1</sup> Mr. Charles S. Gleed, in *Cosmopolitan Magazine*, May, 1901.



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monopoly easy. In the case of the rarer treasures, or in the case of treasures with comparatively few especially fine sources of supply, we have the conditions prepared for natural monopolies of one variety. This is a mere truism. Theory and practice have for hundreds of years distinguished between these natural resources and other forms of property. The great legal systems of the world have for centuries recognized, more or less clearly, this distinction. For over six hundred years on the continent of Europe the law has, generally speaking, placed in a category by themselves natural treasures, and in 1865 Prussia passed a truly great mining law which established public property in the more important unappropriated mineral treasures in that kingdom, and did so to protect public interests. Even in this country where we are somewhat slow to recognize public as opposed to private rights, this distinction is not unknown, and in fact, in an important case in Indiana, involving the waste of natural gas, property in this natural treasure was most sharply discriminated by the Supreme Court of that state from other forms of property. Among the theoretical writers who have recognized this distinction Professor Henry C. Adams may be mentioned, who has some instructive observations on this subject in his book on "Finance."

Many manufacturing processes are included in the work of the steel trust, especially, of course, the manufacture of iron and steel. If space were not too limited, it would be worth while to quote

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in full from the charter the objects for which the United States Steel Corporation was formed. We note among these objects the following: "To apply for, obtain, register, purchase, lease, or otherwise to acquire, and to hold, use, operate, and introduce, and to sell, assign, or otherwise to dispose of, any trade-marks, trade names, patents, inventions, improvements, and processes." Our analysis here reveals again the presence of monopoly, and monopoly established of design by public authority in order to promote inventions and industrial improvements. We have here to do with a union in one concern of the more important protected patents and processes in great classes of industries, and so far as these are concerned, we have clear-cut monopoly.

Among the objects for which the corporation is formed we notice, furthermore, the following: "To construct bridges, ships, boats, engines, cars, and other equipment, railroads, docks, slips, elevators, waterworks, gas-works, and electric works, viaducts, canals, and other waterways, and any other means of transportation, and to sell the same, and otherwise to dispose thereof, or to maintain and operate the same." We have here again to do with industries of which the non-competitive character has long been clearly recognized; in other words, we once more find ourselves in the field of monopoly. Moreover, it has long been known that many other businesses, especially manufacturing businesses, stand in such dependent relations to

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these non-competitive businesses that the latter can extend their monopolistic character to fields which otherwise would be competitive in nature. This is especially the case with transportation agencies, for, by special rates, they can easily build up favored businesses as monopolies. In fact, even unwittingly, favoritism may creep in and form monopoly. It is only through the most scrupulous impartiality like that of high-minded and disinterested judges, having ever in mind the danger of monopoly, that equality of opportunity for competitors can be maintained. Let us but reflect on the following as ways in which inequality of opportunity in transportation may arise; (*a*) general facilities, as supplying cars to one competitor more promptly than to another; (*b*) rushing through the freight of the favored shipper while that of another is sidetracked; (*c*) furnishing better terminal facilities to one person than to another; (*d*) maintenance of such relations between various modes of shipment—as for example, between tank-cars and barrels, and between rail, water, and pipe-line transportation—that advantages come to some which others do not enjoy; (*e*) classifications of freight made and changed to the advantage of favored classes; (*f*) making discriminations in favor of geographical sections in the interest of classes of shippers.

Unless in all the particulars named we maintain rigid impartiality like that of the clerk at the stamp-window of the post-office in selling stamps, it is

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hard to say where we shall find the limits of monopoly fifty years from now.

Is it conceivable that even excellent men, even those who in their expenditures show strongly marked philanthropic traits and tendencies, will of their own motion endeavor to maintain competitive equality of opportunity for themselves and for others? We have a rapidly growing unification of coal-carrying and coal-mining interests. May we expect that the coal-carriers will in every particular treat independent producers as well as they do themselves in their capacity as coal-producers? Was it one of the purposes of this consolidation to maintain rigid impartiality, and thus competitive equality of opportunity? If not, what then?

In casting about for an answer to these questions, our attention is attracted by a certain general restlessness on the part of the public which has invaded even Wall Street. The consumers of the country believe that monopoly exists and is expanding rapidly, and it is their conviction, as well as that of our courts, that monopoly price must mean high price — that if now it means in some cases low price, this is a mere temporary arrangement. Other producers tremble when they contemplate a billion-dollar trust with which they must have relations. The wage-earner feels that, isolated and alone, he is a pygmy, a nothing, when his individual interests are pitted against amalgamated hundreds of millions, and he is zealous in the formation of labor unions to prepare for

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conflict. When the citizen reflects on what is readily observable at our various seats of government, he feels that the potentialities of political power residing in a billion-dollar trust are vague, but certainly vast, perhaps illimitable.

It may be said that we are here speaking about psychical states, but psychical states are dynamic forces of society. They deserve the most careful and candid consideration on the part of the publicist.

The fact of tremendous power concentrated in the hands of the billion-dollar trust is clearly recognized. We find in this billion-dollar trust three distinct kinds of monopolistic forces working together and strengthening each other, viz., those proceeding from sharp limitations of supply of valuable minerals; those proceeding from patents and secret processes; and finally those coming from transportation agencies and other similar monopolistic pursuits. We find thus what we may call monopoly raised to the third power. On the other hand, all sources of supply are not as yet embraced in this combination, and potentialities of competition still exist here and there, but if untoward events do not beset the course of the billion-dollar steel trust, its monopolistic power is likely to increase.

We then have to do with a union of men of very exceptional but probably not unique ability, who give economic direction to a considerable percentage of the productive forces — including labor

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and capital—of the entire United States. Property in its nature means exclusive right of control, and these men have in their hands these exclusive rights. But our bread, our subsistence, comes from the operation of productive economic forces. Have those who draw this bread from these unified productive forces a power which brings about that equilibrium which maintains interdependence and independence? We remember what Shakespeare said about economic control:—

“You take my house when you do take the prop  
That doth sustain my house; you take my life  
When you do take the means whereby I live.”

While the fact of unprecedented power is admitted by our editorial writers, the hope is generally expressed that it will be used wisely, and sometimes dark hints are given as to what may follow if this power is misused. Our magnates have again and again been impressively told that the tremendousness of their power is almost appalling, and we are then reassured by grave utterances concerning the sobering effect of power. At bottom, protection is sought in the appeal to good will—to the benevolence of our industrial conquerors, our economic Alexanders and Cæsars. What are the lessons of history? Does past experience teach us that we may place our hope for economic well-being wholly or in part in the benevolence of any class of men, even the most estimable? Or, turning to the deductive argu-

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ment, does our observation of human nature, even at the best, lead us to think this is a safe procedure? When we question ourselves, do we think we could stand such a test? Noteworthy and impressive in this connection is the following utterance of the late Benjamin Harrison: "The man whose protection from wrong rests wholly upon the benevolence of another man or of a congress is a slave—a man without rights."

### III. *Remedies*

If we are not quite satisfied with appeals to benevolence, or even to an enlightened self-interest, that looks ahead and endeavors to avoid remote and long-delayed evils, we must pursue our quest for remedies farther.

One of the first things to be asked is this: Admitting that appeals to individuals and exhortation addressed to the great ones of the industrial world may produce gratifying individual action, is it possible that such individual action can produce a social system? There seems to be a growing conviction on the part of the general public that such is not the case; and in this growing conviction is to be found the explanation of the gratifying fact that we are able to find no general inclination to blame the men who have played a leading rôle in the vast industrial combinations of the present time. The general public is awed, almost dazed, by the stupendousness of industrial events, but

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reproaches are not hurled against our economic kings. Mr. Tom L. Johnson, mayor of Cleveland, is reported to have said in Congress that as a private citizen he would take advantage of conditions favorable to monopoly, but that so far from aiding to pass laws calculated to build up monopoly, he would do all in his power to defeat any proposals for new laws of this character, and would likewise exert himself to secure the repeal of existing law calculated to promote monopoly. There is a general inclination to believe that this is a sound and thoroughly ethical course of action; and one finds oneself wondering at times how many of our magnates are socialists at heart, working out as best they can their theories.

Our presentation of remedies must depend upon the kind of society in which we believe. Do we desire an essentially competitive order of society? If so, we should remember that if competition is to be maintained permanently and to work smoothly, with absence of bitterness and industrial warfare, the number of competitors must be large. Farmers cannot combine into one monopolistic group because there are too many of them, and for that same reason one farmer does not feel that personal blame attaches to his neighbor for the low price of wheat. This consideration of numbers is one important method of determining where we may and where we may not have competition. We see then one reason why in the case of the transportation agencies, gas-works, and many other kinds of



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business, we must have monopoly, with an option only between public and private monopoly.

Let us, then, in the fewest possible words, consider the nature of effective remedies for the evils of monopolies and trusts. First of all, we must not place the slightest confidence in any measures which forbid the growth of business or combinations on the part of persons engaged in business when they find it advantageous for them to enter into combinations. The so-called anti-trust legislation of the American commonwealths has produced harm and can produce nothing but harm. So far from lessening the concentration of production, it has rather increased it. Looser forms of combination in the face of anti-trust legislation have made way for closer and more effective unions. How these are to be prevented while the laws of private property are still maintained, is something which it is not easy to understand. Nor is it easy to see precisely what it is hoped will be accomplished by the sort of legislation which has been tried in so many of our states, and also by our federal government, with the possible exception of the federal legislation of 1903. It does not at all deal with causes, but touches only surface phenomena. We must go down far enough to reach underlying causes if we would accomplish any results.

Among remedies, first of all mention must be made of education. General education should be so developed as to prepare every boy and girl for life. The same earnest attention should be

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given by our commonwealths to the education of our youth for civic life which Germany gives to the preparation of her young men for military life. If the best brains of the country were earnestly devoted to the preparation of our young people for civic life, and if money were as freely expended for this preparation as in Germany for the army, we should have wonderful results. We have a struggle for life. This it is not desirable to abolish. It is desirable to give for it the most thorough preparation. But in addition to general education a training in economics is needed which will lift to a higher plane our economic discussions and will render impossible the serious consideration which is so often given among us to quack remedies for economic evils.

In the second place, we must take up earnestly the problem of natural monopolies. The time has gone by for a discussion of the question, Shall monopolies be publicly controlled or not? The principle of control is accepted by every thinking person and is a well-recognized principle of jurisprudence in every civilized land. The question which has not been fully decided is this: Shall we have public control of private property interests in undertakings which fall under the head of natural monopolies, or shall social control be an outcome of public property with public management? To put it more concretely: Shall we have private gasworks with a state gas commission to exercise control over them, as in Massachusetts, or shall

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we have municipal gas-works and allow social control to proceed naturally and spontaneously from municipal ownership and management? Shall we maintain our private railways and attempt to control them through a further development of state railway commissions and the Interstate Commerce Commission, or shall we have public ownership with public operation? We must take the one alternative or the other, and either one is beset with immense difficulties. In either case the ends to be achieved are similar, and there is not so much room for controversy concerning these ends as there is for controversy concerning the methods whereby they are to be attained.

We must bring it about that those who own and manage such businesses as gas-works, railways, and the like, — that is, if we are to retain private property in these enterprises, — have no advantage over those engaged in other kinds of business. We must have no privileged classes composed of monopolists. We must not think that in the abolition of politically privileged classes we have accomplished the abolition of special privileges.

Economic privileges are of greater significance than political privileges, and we may have privileged classes although they do not go by the name of duke and lord; they may be simply magnates and kings, as gas magnates and railway kings. Through social control property and en-

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enterprise invested in monopolistic businesses must be placed on the same footing with property and enterprise invested in competitive businesses. It is idle to claim that such is the case now, when franchises for which no one has toiled in any honorable and legitimate way yield to their owners millions upon millions of dollars of unearned wealth.

In the next place, it must be brought about that those who have dealings with monopolistic enterprises are fairly and impartially treated. Tyranny and oppression, whether directed against the general public or employees, must be abolished. War must be waged upon monopolies founded on private favoritism until they become a thing of the past. They must take their place in history alongside of monopolies granted by Tudor kings to their favorites.

The third class of remedies is found in the regulation of the transmission of property from generation to generation, and this must be brought about in part by taxation, in part by laws which aim otherwise to secure a wide diffusion of wealth. This subject will be considered more fully in the chapter devoted to the inheritance of property.<sup>1</sup>

Tariff reform is mentioned as a fourth remedy, although the present author attaches far less importance to it than many others do. Wherever monopoly clearly rests upon the tariff, however, he is prepared to indorse a reform of the tariff.

The fifth measure of reform which is recom-

<sup>1</sup> Pt. II, Ch. VII.

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mended is the reform of the patent law. Not an abolition, be it understood, but such a reform along well approved lines as will render patents of less significance as a foundation of monopolies. It is quite practicable to accomplish this end and still maintain a patent system which will afford as great a stimulus to invention as does our present patent law. There are many different ways of encouraging and rewarding invention outside our patent system, but the most conservative proposition for meeting the situation is that of a former Commissioner of Patents, who would have the government reserve the right to purchase patents and throw them open to public use. In this connection, it is well to call attention to an impressive occurrence which took place two years ago in Madison, Wisconsin, when the legislature of that state presented a medal to Professor S. M. Babcock, of the State University, on account of his valuable inventions, especially the "Babcock milk test," worth millions annually to the farmers of this country, which he had refused to have patented, because he felt that as a public servant he ought to give the general public the benefits of his inventions.

The sixth line of reform is one which is still more important, and that is the reform of the law of private corporations. As coöperation takes place so largely through private corporations, which afford to persons of the smallest means opportunities for participation in the largest enterprises, there is no ground for sympathy with any

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proposal to abolish or limit private corporations. What is desired is to bring them under effective public control, in order to secure honesty and promote individual responsibility. Several things are needed to accomplish this purpose. One is complete publicity, with such extension of the criminal law as would send to the penitentiary as quickly the man guilty of theft through the medium of a corporation as the man guilty of theft in his individual capacity. We need, for effective control, bureaus of corporations in our states, as well as an interstate bureau of corporations, such as that which has been established in connection with the new federal Department of Commerce and Labor. As a model for the general law of incorporation, the national banking act is recommended, although it is recognized that to adapt this to manufacturing and commercial purposes a few minor changes are necessary. One special purpose of this reform of private corporations is to protect the investor and increase the number of investors and thus promote a wide diffusion of property. Private corporations own a very large proportion of the wealth of the country, and if their management is of such a nature that the ordinary man can neither understand nor trust it, the consequence must be to confine the corporate ownership of property with its advantages to relatively few people, and the further consequence of this condition must be the encouragement of socialism, which means the abandonment of the effort to secure diffused

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prosperity through private property in productive capital.

Public opinion has during the past two or three years made gratifying progress in its attitude toward monopolies and trusts. At no time during the past twenty years has there been less blind denunciation of mere combination and large-scale industry; at no previous time during this period has it been so clearly seen by so many people that the real evil against which we must contend is monopoly. Finally, never before in the United States have we had such intelligent legislation on the subject of monopolies and trusts as that enacted in 1903 by Congress. Direct opposition to combinations has been at least partially abandoned, and an effort is now to be made to exercise control over monopolistic undertakings, with the end of doing away with private favoritism as a basis of monopoly. Congress has adopted in its legislation the view, expressed by Attorney-General Knox, that monopoly is the evil against which we contend and that monopoly rests upon special privileges which may be abolished so as thereby to bring us nearer the goal of equality of opportunities. It remains to be seen whether or not the remedies proposed are adequate; especially whether or not it is possible to control effectively the gigantic corporations which rest upon a basis of natural monopoly. In the meantime we are gathering experience which will give us more light on the problems presented by monopolies and trusts.

# MONOPOLIES AND TRUSTS

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## CHAPTER V

MUNICIPAL OWNERSHIP OF NATURAL MONOPOLIES;  
WITH A NOTE ON THE ESTABLISHMENT OF A  
PARCELS POST AND THE NATIONAL OWNERSHIP  
OF THE TELEPHONE, TELEGRAPH, AND RAILWAY.

### *I. Municipal Ownership of Natural Monopolies*

THE question under discussion relates to the ownership and management of those local businesses which furnish what are called public utilities. The principal classes of these public utilities are water, light, and transportation. They are called monopolies because, as we know from experience, we cannot have in their case effective and permanent competition.

It is often said that we do not want to decide the question of municipal ownership in accordance with general principles, but that each case should be decided as it arises. If New York City desires public ownership of waterworks, it is urged, let New York City by all means try the experiment; but let New Haven, if the people of that city so desire, continue private ownership of waterworks. Still others say, let us adhere to private ownership until we find that we have made a serious

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mistake in so doing. Both these attitudes imply the renunciation of science, or a denial of the possibility of a scientific solution of the problem. Imagine such an attitude in engineering as applied, let us say, to bridge-building. The result would surely be disaster. The outcome of this attitude in what we may call applied economics or social engineering has likewise been disastrous. Mistakes have been made which it has not been possible to correct, or which have been corrected with great loss. The private ownership of water-works in London, which still persists, although recognized to be an evil many years ago, affords an illustration. If at length this evil is corrected, it will cost the taxpayers many millions of dollars which might have been saved. Innumerable illustrations could be afforded, did space permit. What must be desired by any one who has an appreciation of the nature of modern science, is the establishment of general principles whereby mistakes may be avoided and loss prevented. The practical man will naturally take into account the actual, concrete condition in his application of general principles. The social engineer must, in this particular, follow the practice of the mechanical engineer.

When we approach the question of public ownership *versus* private ownership of great industries as those connected with artificial light and transportation, our attention is attracted by the municipal corruption which exists, particularly in our own

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country. The fact of this municipal corruption, and also the further fact of the very general incompetency in the management of municipal affairs, are not called in question, and they are not under discussion. The corruption and incompetency may not everywhere be so bad as many pessimists imagine, and it may, furthermore, be true that, in both respects, we have in many cities witnessed gratifying improvement. Yet when we have made these admissions, the true state of the case is bad enough. The civic conscience with us is slow of development. The satisfactory performance of public duties implies, in some particulars, a higher civilization than we have reached. It requires some development of the imagination to see the harm and suffering brought to countless individuals by lapses in civic virtue. Furthermore, it implies a higher development of conscience than that now generally found among us, to reach that state in which there is a conscious desire to abstain from all acts which may hurt people who are not seen. Many a man will give to a poor widow, whom he sees, money to relieve her distress, but, at the same time, will not hesitate to increase the burdens of poor widows whom he does not see, by fraudulent evasion of taxation.<sup>1</sup>

The men now in our municipal councils are not the kind of men to whom we would gladly turn over vast business interests. The very

<sup>1</sup> The slow development of social ethics is admirably described in "Democracy and Social Ethics," by Jane Addams.

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thought repels us. Whether or not they are morally better or worse than the men who in many cases are said to corrupt them, and who now exercise an important influence in the management of privately owned public utilities, it is freely conceded that they are less fit for the conduct of important businesses. We want street railways managed by men who understand the street railway business, gas-works managed by men who understand the gas business, and neither class of enterprises managed by men whose gifts are most conspicuous in the partisan manipulation of ward politics. It is important that it should be understood that the advocates of municipal ownership do not call in question the fact of municipal corruption and inefficiency in the management of public business, and that they have no desire to turn over the management of public utilities to a class of men who must still be considered typical in the municipal council of the great American city.

But when we have admitted freely corruption and inefficiency in municipal government, it still remains to examine into the causes of these conditions, for there is a very widespread suspicion that a large share of the responsibility therefor must be laid at the door of private ownership. A real, vital question is this: Would we have the same class of men in our common councils which we now find there, should public ownership replace private ownership? Is it true that private ownership places in office and keeps in office some of our

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worst municipal wrongdoers? It is important that the reader should understand the real nature of the problem under discussion, and it is believed that these questions which have just been asked bring before us a large part of that problem. This important problem, the solution of which is of national significance, should be approached with no partisan bias, and no angry recriminations or denunciations should be tolerated. The spirit of the injunction, "Come, let us reason together," should be the spirit of approach.

We must clearly and sharply fasten in our minds the indisputable fact that, with respect to public utilities of the sort under discussion, we are confined to one of two alternatives. These alternatives are, on the one hand, public control of private corporations, on the other, public ownership with the public control which naturally springs from ownership. The experience of the entire civilized world has established the fact that we are restricted to these alternatives. We may have private street railways, private gas-works, private waterworks, etc., but in that case it is invariably and in the very nature of the case necessary to exercise public control over their operations. Charges must be regulated, general conditions of service must be prescribed, and regulation must be found for a thousand and one cases in which public and private interests touch each other. This is because, on the one hand, the nature of the service rendered is in such a peculiar degree a public

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service, and also because the effective control of full and free competition is absent. We may, on the other hand, choose public ownership and management. We could, of course, separate public ownership from public management, and consider each one. In other words, we could have a publicly owned urban transportation system with private operation. Generally, public ownership and public management go together; in our present treatment we will not undertake to separate them.

It is freely granted that either one of our two alternatives presents immense difficulties. This is a further point concerning which there can be no controversy among those who really understand the nature of the case. The evolution of industrial society has again brought us problems most difficult of solution. If we may use the language of design, history teaches us that Providence does not intend that men organized in society should have what we are always looking for in the future, namely, an easy-going time. Every age has its problems. In one age they may be brought by the inroads of barbarians, in another age by famine and pestilence, in another age by international wars. We have been dreaming of a coming time when no social problems should vex society; but, if history teaches us anything, it shows us that in such dreaming we are indulging in Utopian aspirations. Every civilization has been tested heretofore, and every

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civilization must have its test in the future, our own included. One of the tests of our civilization is the ability to solve the problem under discussion.

The question which confronts us is this: Which one of the two alternatives promises in the long run the best results?

Those who talk glibly about public control of those private corporations owning and operating public utilities frequently exhibit a sad ignorance of what their proposed remedy for existing evils means. They think in generalities, and do not reflect upon what control means in details. We have to observe, first of all, that public control of private corporations furnishing public utilities so-called means a necessary antagonism of interests in the civic household. Human nature is such that those who are to be controlled cannot be satisfied with the control exercised. However righteous the control may be, those who are controlled will frequently feel themselves aggrieved and wronged, and will try to escape the control. It is, furthermore, a necessary outcome of human nature that those persons who are to be controlled should enter politics in order that they may either escape the control, or shape it to their own ends. Again, we must remember what vast aggregations of men and capital it is proposed to control. The men owning and operating the corporations which furnish public utilities are numerous, and they maintain large armies of employees of all social



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grades, from the gifted and highly trained attorney to the unskilled laborer. The amount of capital involved in a great city is counted by tens of millions. The very nature of the case brings it about that there should be persistent, never ceasing activity on the part of those to be controlled. The effort to escape from this control, or to shape it, is a part of the efforts by which men earn their livelihood, and their activity is as regular as their hunger. The efforts of patriotic and high-minded citizens, in their self-sacrificing neglect of their private affairs to look after public concerns, may grow weary, but not so the activity of the corporations to be controlled. Can a task of greater difficulty be well suggested? It is not said that the problem here presented is one which it is impossible for modern civilization to solve; but it is well that the general public should know precisely what it means. Some of us are to control others, and to do so against their will. But who are those whom we are asked to control? They are very frequently our friends and neighbors. I am asked to resist what is esteemed the extortion of a gas company; but one of the gas magnates may be my neighbor and friend, and occupy a pew next to mine in church. Perhaps the gas magnate is my employer. Perhaps he has just contributed, and with the best intent in the world, one hundred dollars to an object which I have greatly at heart. Perhaps I am a college professor, and the street-car magnate whose rapac-

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ity I am called upon to help hold in check has endowed the chair which I occupy. Imaginary illustrations can be continued indefinitely, and those who desire to do so can in any city make them sufficiently concrete. Is it strange that many of us who are called upon to control others of us should simply refuse to do it ?

It is possible in this place to do little more than to throw out suggestions. It is noteworthy that in Massachusetts public control of corporations furnishing public utilities has been tried more persistently than anywhere else, and that in that state there is a stronger sentiment than anywhere else in the Union in favor of public ownership and public management. Serious charges have been brought against the Board of Gas and Electric Lighting Commissioners, which has to exercise control over gas and electric-lighting plants. Even a paper of the standing of the *Springfield Republican* has felt called upon to rebuke the board severely for keeping secret information which it has gathered. The attitude of the board is characterized as "extraordinary." "If the board," says the *Springfield Republican*, "is empowered to keep secret what information it is pleased to, how are the people to know that they may not become a mere agency of the monopolies to cover up and justify their possible undue exactions?" Insinuations of this kind are frequently heard in Massachusetts. Dismissing all charges of corruption and bad intention, we have as a net result a strong movement in Massa-

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chusetts, away from private ownership of public utilities, to public ownership.

The writer has followed this subject, and the trend of opinion with respect to it, for fifteen years with some care. In his own judgment the trend in favor of public ownership is marked and surprising. He has seen one investigator after another start with prepossessions in favor of public control of private corporations, and turn away from that position as a hopeless one, and take up a position in favor of public ownership as the only practicable solution under our American conditions. There lies before the writer a letter recently received from an attorney, a member of a well-known firm in one of our great cities. This lawyer has been forced by experience to abandon the position in favor of private ownership. He says, as the result of long-continued and self-sacrificing efforts to improve politics in his own city: "The alleged benefits of regulation are practically as impossible as an attempt to regulate the laws of gravitation, for our legislative councils are nominated, elected, and controlled by forces too subtle and insidious to be attacked, and even to be known. . . . A community cannot regulate against millions of dollars organized to prevent it. This temptation disappears, however, when the municipality becomes the owner."

The difficulties of public ownership are not to be denied. They lie on the surface. The problem in the case of public ownership is to secure men

of talent and experience to conduct these enterprises, and keep them in office during good behavior; to engage men for all positions on the basis of merit, and, while retaining vast armies of employees, to enact such legislation and administrative reforms as will prevent employees of the city, engaged in furnishing public utilities, from either using their political power for their own selfish ends, or from being used for partisan purposes. This implies, on the part of society, an appreciation of excellence of service and a thorough-going reform of municipal civil service. Politicians of the baser sort and all those who have selfish ends to be gained by political corruption will work against such reform. On the other hand, public ownership with public operation presents the issues in a comparatively simple form. The clarification of issues is, indeed, one of the strong arguments in favor of municipal ownership. Who knows to what extent employees on the street railways of Baltimore, Philadelphia, New York, and Chicago are appointed through the influence of politicians? It is known, however, that many appointments are made through the influence of politicians of precisely the worst sort. It is furthermore known that these corporations are now generally in politics. But because the corporations furnishing these public utilities are owners of private property, and because they conduct a business which is only quasi-public, the political corruption with which they are connected is hidden and obscure, and voters are

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confused and perplexed. Public ownership carries home to every one the importance of good government, and arrays on the side of good government the strong classes in a community now so often indifferent. Frequently men who are powerful in a community, in working for good government, work against, rather than for, their own private interests. It is, indeed, gratifying to see men of wealth, as frequently as they do, turn aside from selfish considerations to promote measures calculated to advance the general welfare. But can we expect this kind of conduct persistently from the great majority? Have we any right to expect it? A personal allusion is sufficiently instructive to warrant reference to it. When the writer had invested what was for him a considerable sum in gas stock, he tried to answer for himself this question: As an owner of gas stock, exactly what kind of municipal government do I want? The government of the city in which was located the gas-works in which the writer was interested was a stench in the nostrils of reformers throughout the country: but he could not persuade himself that as an owner of gas stock any very considerable change was for his interest. The city government, as it then was, was a "safe" one, and the result of a change could not be foretold. Is not this, as a matter of fact, the solution of the problem which owners of stock in street railways, gas-works, and similar enterprises generally reach when they look at municipal reform solely from

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the point of view of self-interest? And can we, then, be surprised at a certain apathy and indifference on the part of what are called the "better classes" in a community? Men of great wealth have been known to work directly against their own narrow interests for the public weal, but has an entire class of men ever been known to do this?

A further result of municipal ownership would be a better balance between private and public interests, and this better balance would strengthen the existing order against the attacks of socialists and anarchists, on the one hand, and unscrupulous plutocrats, on the other. A balance between private and public enterprise is what is fundamental in our present social order, and a disturbance of this balance consequently threatens this order. This balance is favorable to liberty, which is threatened when it is disturbed either in the one direction or the other. Any one who follows passing events with care cannot fail to see that it is menaced by socialism, on the one hand, and by plutocracy, on the other. A man of high standing in Philadelphia, himself a man of large wealth, when presiding at a public meeting recently, stated, practically in so many words, that a professor in a school of some note had lost his position on account of a monograph which he wrote in relation to the street railways of that city. This monograph was temperate in tone, and its scholarly character elicited commendation on all sides. We

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need not go into the merits of this particular case, but we cannot fail to notice disquieting rumors in regard to the attacks upon freedom of speech, which are an outcome of private ownership of public utilities. There is a widespread apprehension that the utterance of opinion upon one side promotes one's interest, and that the utterance of opinion upon the other side may prove damaging. Mathematical proof cannot well be adduced, but readers can, by careful observation, reach a conclusion as to the question whether or not our industrial order is menaced by plutocracy, always bearing in mind that plutocracy does not mean honestly gotten and honestly administered wealth. There are good rich men, and bad rich men, as there are good poor men, and bad poor men. Does private ownership of public utilities, on the one hand, tempt rich men to wrong courses of action, and does it, on the other hand, place great power in the hands of unscrupulous wealth?

In the restricted space of the present essay it is impossible to go statistically into experience. The question may be raised, however, Has any one ever noticed an improvement in municipal government from a lessening of the functions of municipal government? Can any one point to a municipal government which has improved because its duties have been diminished, and the number of its employees lessened? If we turn away from local government, do we find that it is through the lessening of the function of government in general

that an improvement is achieved? At one time, the Italian government operated the Italian railways. Later it leased the railways to a private corporation. Has this retirement of Italy from the operation of the railways produced a regeneration in public life? As we travel over this country, and observe the course of local government, do we not, on the contrary, find that, on the whole, it has improved as its functions have increased, and as it appeals directly and effectively to larger and larger numbers? The case of England is a very clear one. If we go back fifty years, we shall probably find that the government of English cities was quite as bad as ours is now. During the past fifty years there has been a continuous improvement, and this has accompanied continual expansion of municipal activity, while at the same time, through an extension of the suffrage, English municipal government has become increasingly democratic in character. We must hesitate about establishing a causal connection between these two movements, but is it unnatural to suppose that there may be such a connection? When there is a great deal at stake, when the city has much to do, good government of the cities appeals to all right-minded persons; and if there is no division of interests through private ownership, we ought, in a civilized community, to expect to find all honest and intelligent people working together for good government. A tangible basis is afforded the masses for an appeal for their own higher interests, and reliance



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is placed upon municipal self-help. Instead of asking great private corporations to do things for them, the people are told to help themselves.

Mistakes and wrongdoing must be anticipated under either one of our two possible systems. What about the relative seriousness of the mistakes and wrongdoing, however? We have a certain demoralization in each case, and a certain loss. While in the case of public ownership we have an opportunity to recover from mistaken action, in the case of private ownership mistaken and wrong action is often irretrievable in its consequences. Take the case of New York City as an illustration. Jacob Sharp secured a franchise for the Broadway surface railway through wholesale corruption, and was sent to the penitentiary. The franchise, however, was retained by those into whose hands it fell, and others have entered into the fruits of his theft. Under our American system of government, in cases of this sort, stolen goods are retained. The franchises are retained and the forgotten millions continue to suffer, because their rights have not been adequately safeguarded. With the other policy, namely, that of public ownership, how different would be the result? If the street railways were mismanaged, or their earnings stolen, it would be sufficient to turn out the municipal plunderers. Too many overlook what is distinctively American in our problem; namely, our constitutional system, which protects franchise grants when once made, and

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so renders irretrievable a mistaken policy, provided we have the system of private ownership.

Let it be distinctly understood that the position is not taken by the present writer in favor of municipal ownership at any and all times, and everywhere and under all circumstances. It must come in the right way, it must come deliberately, and it must come provided with adequate safeguards. It must come as a part of other movements, especially of full civil service reform. But it is calculated in itself to promote these other reforms, and in some cases municipal ownership will be the first step in the direction of that full civil service reform which is so sadly needed.<sup>1</sup> In some cases civilization may be in too low a condition to permit municipal ownership. The socializa-

<sup>1</sup> A few years ago a successful candidate for the mayoralty in Des Moines, Iowa, made this statement in his campaign: "If elected, I expect to continue in my attempts to carry out the principles of my platform of two years ago, reiterated in the platform of this year, for the public ownership and control of public utilities such as water, gas and electric light plants, street railways and telephones. . . . I should like to see a civil service law enacted to go hand in hand with these reforms, but I do not believe that we should wait for such a measure. I am firmly of the opinion that the public ownership of such franchises will of itself bring about civil service reform. Municipal ownership will do more than any other one thing to improve city government in America. In my opinion much of the poor and bad government in city affairs is due to the influence of franchise-holding corporations. It is to their interest to have poor government, to secure the election and appointment of officials whom they can control to their selfish ends. We have seen examples of this in our own city, where local corporations exerted their influence against salutary measures looking toward civil service and other similar reforms."

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tion of public sentiment which must lie back of proper social action may not have gone far enough. The question is : Have we the social man back of the social action which we advocate? If we are talking about the heart of Africa, with its individualistic blacks, unquestionably we have not the social man who would make possible any considerable amount of social action. Among barbarians and semi-civilized people the few must do things for the many. Social action must not be forced down from above, and it must not come accidentally, if it is to be successful. It must come as the result of full and free discussion, and of full and free expression on the part of the people. It is on this account that the initiative and referendum, in a country like ours, may properly accompany the social action. Have we in our own country the social man to back social action? If he does not everywhere exist, he is coming, and coming rapidly, and the amount of social action which the socialization of sentiment makes possible and desirable increases in proportion as he makes his appearance. The question of municipal ownership is a question of social psychology. It turns on the nature of the social mind.

### II. *Note on the Establishment of a Parcels Post, and the National Ownership of the Telephone Telegraph, and Railways.*

The question naturally arises to what extent are the arguments which have been adduced in favor

of municipal ownership of natural monopolies applicable to monopolistic businesses which operate on a national scale, and which, therefore, must be owned and managed by the nation, if public ownership is to replace private ownership. This is a large question, and here and now it is proposed simply to bring forward a few pertinent suggestions which naturally connect themselves with the treatment of local monopolies.

The first three undertakings mentioned do not offer special difficulties, and the arguments in favor of municipal ownership would, in the main, hold with reference to them. The post-office, even with all its imperfections, is serving the people of the United States admirably. Generally speaking, one finds courteous and considerate treatment accorded to the public by the officials, which frequently is in pleasing contrast to the brusqueness of the officials of great private monopolistic corporations. The effort made to serve the public and to see that mail reaches its correct destination is remarkable. If any kind of clew is given, the person to whom a letter is addressed generally receives it, even if the address is incorrect. The writer, while in Baltimore, has received letters which were directed to him in Boston, and the success of the post-office in finding persons is sometimes almost wonderful.<sup>1</sup> This furnishes marked

<sup>1</sup> Since writing the above the author has received a letter addressed, "Richard T. Ely, Johns Hopkins University, Stanford, Cal."

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contrast with the very slight effort on the part of express companies to find persons, and their frequent indifference about addresses, as they do not generally have any system of keeping them. When a telegraph or express company finds difficulty about an address, a postal card is put in the post-office addressed as the message or parcel is, and the post-office generally finds the person. This is only one of many illustrations which could be adduced.

Many of the defects in the post-office are frequently attributed, by those who should know, to the interested efforts of private persons to prevent a satisfactory development of this branch of the public service. The rate of one cent an ounce for merchandise is high, and the rate of one cent a pound for periodicals, when sent out by publishers, seems too low. What is needed is an arrangement whereby parcels up to, say, fifteen pounds can be sent through the post-office, with a charge which will cover expenses. In Germany the charge for a parcel sent to any part of the German Empire is twelve cents for any weight up to something like ten pounds. It has been claimed that on this part of the post-office business there is a loss in Germany, and with our greater distances and the high charges exacted from the post-office by the railways a higher rate would be required. But a rate which covers cost would be far less than that now exacted by the express companies, and altogether apart from that would be

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the convenience of reaching the entire country, and the service would be unified. This is an important consideration, because in the case of each one of the services which we are now discussing, unity of management is one of the conditions of excellence in service. Other things being equal, the nearer the approximation to unity the better the service. About the importance of the parcels post there will probably be little difference of opinion on the part of competent persons who are strictly impartial.

The telephone service is largely local, but the long-distance service becomes of increasing importance, and with the extension of the long-distance service and a decrease in charges its relative importance would increase still further. This is something which is readily appreciated by those who enjoy what is essentially a local service by a local company. Many of the smaller cities in the United States now have local companies which compete with the so-called Bell telephone with its national connections. The local service is frequently excellent and charges low, but the great national company is able to maintain its existence on account of its far wider connections. It is obvious to every one with experience that unity in the telephone service is a consideration of decisive importance, so much so that it is likely to be secured ultimately either by private or public action. The only method of securing the unified service and the extensions which are desirable, with low charges,

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is through government ownership, which has worked well wherever it has been tried. As a means of communication it naturally belongs to the post-office, and can advantageously be operated in connection therewith. The farmers are beginning to appreciate the importance of the telephone, and are urging its extension as a means of removing the isolation of farm life. There are good reasons for believing that the telephone can be so extended throughout our rural districts as to render life in the country far more attractive, and to promote the intelligence of the farming class. This is a general social consideration which constitutes a strong argument for the national ownership of the telephone.

The telegraph service is similar in character, and along with the telephone could advantageously be operated as a part of the postal system of the country. It is simply a quicker method of transmitting intelligence than the letter. Every great civilized country, outside the United States, enjoys the advantage of public ownership of the telegraph, and in European countries, roughly speaking, the charges for messages are from ten cents to fifteen cents, regardless of distance. For twelve cents a message can be sent from one end of the German Empire to the other, and for many of these messages in this country a charge of at least fifty cents would be exacted. The figures which attempt to show low charges for sending telegrams in the United States are entirely unscientific and mis-

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leading. Quite often a long distance is taken in this country and is compared with a similar long distance in Europe, although this long distance in Europe means an international telegram which has to pass over four or five countries, and frequently will also include cable service. It must be borne in mind that distance has relatively little to do with the cost of telegraphing, but the cost and charges are naturally increased in the case of international telegrams, especially when cable service is involved. Altogether apart from this is the superior excellence of the service under government ownership, about which no person who has lived in a country like England or Germany is likely to be in doubt. It is also important in this connection to consider the condition of the employees. The lot of the telegraph employees in this country in our great cities can easily be ascertained by observation and inquiry. The offices are frequently in basements where the sanitary conditions are far from being the best. Employees are very largely young boys on small pay, who are in great danger of suffering contamination on account of the places to which they are sent. The standard of admission to the service is very low, and in the vast majority of cases the service leads to no desirable future for those engaged in it. This is in marked contrast with the conditions in our post-office and also with the conditions which obtain, generally speaking, where we have government ownership. There lies before the writer a review of two books which gives in-



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structions and directions for those who are preparing for the examination for admission to the telegraph or telephone service in the post-office of the German Empire. It appears that the qualifications imply a considerable acquisition of knowledge and some natural ability. The telegraph officials have to pass examinations, not only in telegraphy, but also in physics, chemistry, geography, and mathematics. Those who enter these services find in them a career. The service is also performed under wholesome conditions by persons of suitable age, so that we have better moral and physical conditions of employment for a great body of men as a result of government ownership. We have in consequence, to be sure, higher expenses, but a decrease in human costs.

When we come to a treatment of railways, new considerations of vast importance enter into the discussion. Very generally when the nationalization of railways is mentioned, the difficulties connected with the civil service are adduced as an argument against nationalization. This argument, while important, is not conclusive. We have the fact of the present interference of railways in politics. We have also the possibilities of organizing railway employees on a more or less military basis and protecting them and the general public from the dangers connected with partisan politics. It is interesting in this connection to remember what Bismarck said about the employees of the Prussian railways and the influence of the gov-

ernment over them when the Prussian Parliament was debating the purchase of private lines in 1879-1880. He made the point that at that time it was very easy for the government to secure the votes of railway employees through arrangements with the officers of the railway. The railways, he stated, continually desired something of the government, and were always willing to pay in votes of railway employees for the desired concession. After the railways had been purchased, he said that the employees would at least have the protection of the civil service law, whereas then they had nothing. It is believed that a careful examination of all the factors which enter into the nationalization of the railways, including the psychological factors, will show that the difficulties connected with the employment of so large a number of men by the government have been unduly magnified, although it is plain that a grave problem in this particular does exist.

The most serious objection against the government ownership of railways is connected with the question of rates. Every change in rates means a change in the relative advantages of one part of the country as compared with another part of the country. Every city in the country is now striving in one way or another for a change in rates which will help it, and sometimes this is an increase in rates in order to bring to one city business which at present is carried on elsewhere. Not long ago, the merchants of a Wisconsin city made vigorous

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protests against the low passenger charges to Chicago in order to keep the people in the city from going to Chicago to purchase supplies of various kinds. Under national ownership and management of the railways there would be a continual struggle of section with section for advantageous rates, and unless the rate problem could be worked out in some simple, easily comprehended way which would commend itself to the public at large, this struggle of section with section could scarcely fail to prove disastrous. No one can tell what the outcome of this sectionalism might be. But what we can see in regard to the pressure of each section of the country, at the present time, to secure advantages from federal legislation, and the frequent shocking disregard displayed by one section for the interests of other sections or of the country as a whole, must lead to very grave apprehensions concerning the result of sectional struggles in the adjustment of railway freight and passenger rates, especially, however, of freight rates. This is the most serious obstacle in the way of nationalization of railways, and brings before us different considerations from those which are decisive in the case of local monopolies, or the post-office, telegraph, or telephone.

It can indeed be argued that we have the rate problem with us as a very troublesome problem at the present time, and that through the Interstate Commerce Commission the national government participates in the solution of this question. This is

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all true, but it is certain that at the present time we do not have that kind of a sectional struggle which we must fear under government ownership. Perhaps the greatest single danger in the private ownership of railways is that it tends first to form classes, and then to array class against class. It forms classes in the very nature of the case. First we have the classes in the railway service. About one per cent of those engaged in the service are officers and the rest employees, and the contrasts among these employees in remuneration and in conditions of employment are vast, and, whether they ought to do so or not, do have a tendency to cultivate bitterness and class division. Under government employment the differences would be diminished by improving the condition of the ordinary employees and by lessening the salaries received by those occupying the higher positions. Sanitary conditions would be improved, and the dangers connected with the service would be diminished, for the government could not withstand the agitation for improvement as private corporations can. The most important question in this connection is whether or not the clamor on the part of employees would not result in an undue shortening of hours, and a disproportionate increase in the wages of the employees. There is also a question whether the clamor for reduced rates might not push down the rates to a point where they would be unremunerative and fail to cover expenses of operation. We have, then, as

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a favorable aspect of the influence of the voters in the case of government railways the removal of dangers and improvement otherwise in the conditions surrounding railway employment; on the other hand, we have the danger that the government could not stop at the right point in the adjustment of wages and hours of service, and also in lowering charges for freight and passenger service.

But there is still another way in which the private ownership of railways tends to class formation, and that is through the favoritism shown to individuals in the community, which is largely responsible for the bad features of the trust movement. Everywhere throughout the United States we can find manufacturers and shippers who have been favored, and if there are any favored it is necessarily at the expense of others. We have favored classes, and this tends to promote class formation and to incite one class to hate another. In conclusion, then, we have as the chief count against public ownership of railways the danger of sectionalism, and as the chief count against the private ownership of railways the fact that private ownership encourages the formation of classes and an increasing estrangement of the classes when they are formed. At the present time the danger of sectionalism would seem to be more serious than the other danger. Whichever alternative we take, it is possible to effect improvement and to devise means to lessen the

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evils which are incident to the form of ownership selected. Private railways can be controlled if government is strong and pure enough for this control. Wages and conditions of service, as well as rates, can be adjusted under government ownership if government is strong and pure enough to devise right standards and to resist popular clamor.

### LITERATURE

While a great deal has been written on the subject of this chapter, it will generally be conceded that it is for the most part entirely unsatisfactory. There are, however, some exceptions. All recent text-books of economics deal with this subject in what is considered its proper place. In addition to these text-books, it is sufficient for the purposes of the present chapter to call attention to a few other works.

BEMIS, EDWARD W., and others, *Municipal Monopolies*. New York, 1899. This book is altogether the best work on the subject; with which it deals.

HADLEY, ARTHUR T., *Railroad Transportation; its History and its Laws*. New York, 1885. A scientific treatment of the subject; unfriendly to national ownership.

HUDSON, JAMES R., *The Railways and the Republic*. New York, 1886. A sharp arraignment of the railway management of the United States, with proposal of public ownership of the road-bed with private and competing operation; a plan which finds few, if any, advocates at the present time. The chief value of this work is its criticism of railway management.

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\* MEYER, B. H., Railway Legislation in the United States. New York, 1903. Gives results of regulation in the United States.

In addition to books, mention may be made of Municipal Affairs, published by the Reform Club Committee on City Affairs, 52 William Street, New York City. This is altogether the best magazine which deals with the various phases of municipal government, and has many excellent articles on the subject of municipal ownership.

## CHAPTER VI

### THE CONCENTRATION AND DIFFUSION OF WEALTH

THERE is unanimous agreement among all writers that within the past century the production of wealth has been increasing enormously. Never before has man been so successful in exploiting the earth as at the present time. But there is no such unanimity in the answers to the two questions of how this wealth is actually distributed, and how it ought to be distributed. Of course, we all know there is no equal division of wealth. Some people are very rich and some are very poor. But are these the exceptions? Are the mass of the people well off? Or are the many poor because the few are so very rich? Whatever the facts, how great ought the inequalities to be? Before entering upon a discussion of these questions, we must consider some definitions and distinctions.

The term "concentration of wealth" is here used in the sense of "concentration in the ownership of wealth," as distinguished from the concentration of capital in large-scale establishments. If the stock of the United States Steel Corporation were owned by individuals holding one share each,

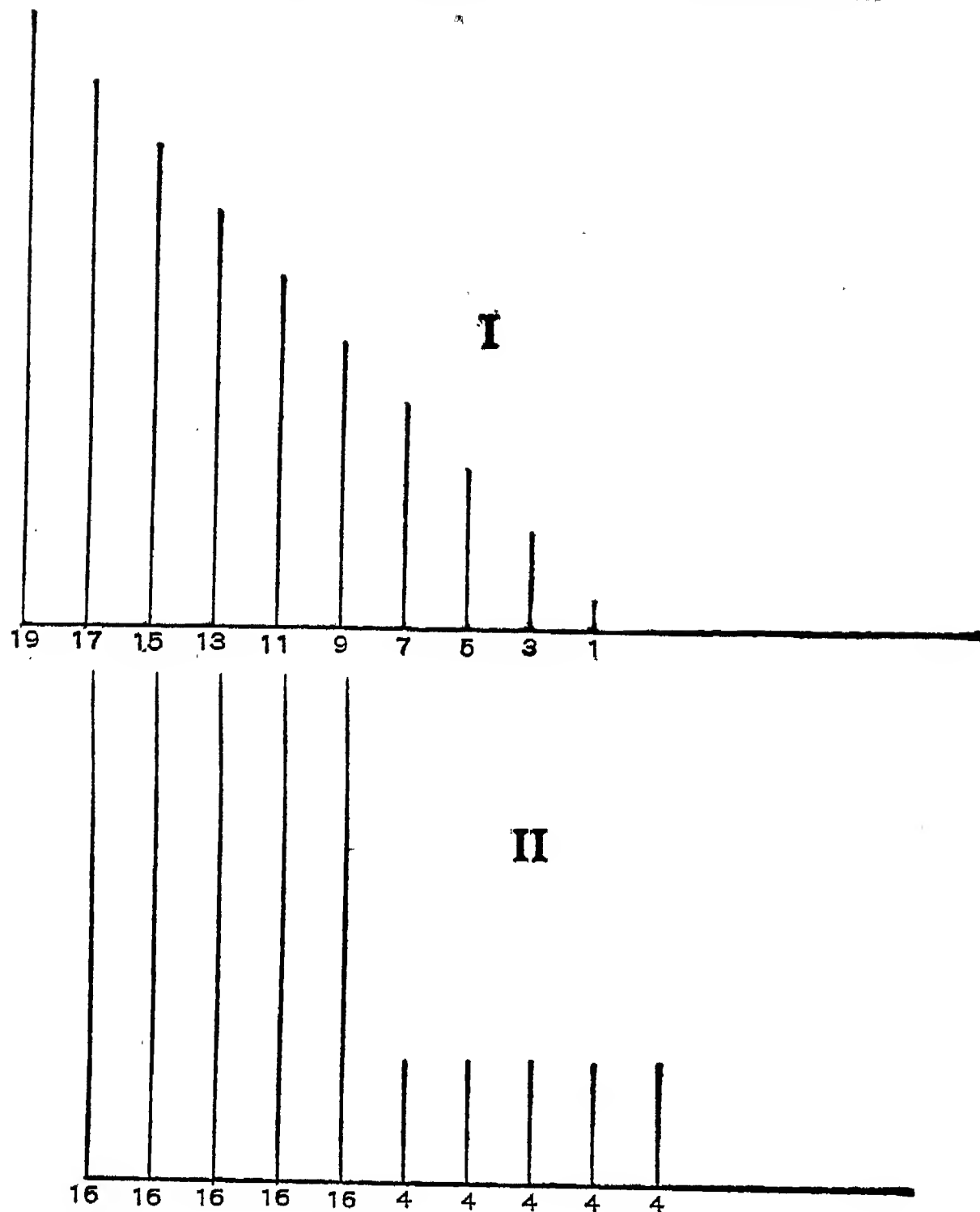


## EVOLUTION OF INDUSTRIAL SOCIETY

the concentration in industry would be just as great as it is now, but there would be a wide diffusion in the ownership of the wealth of the corporation. Possibly it may be true that the two kinds of concentration are inseparable, but at any rate the ideas are totally different. Obvious as this distinction may seem, it is one that is constantly being ignored. An excellent illustration of this fact is seen in the notable series of articles that appeared in the *New York Independent* for May 1st, 1902. These articles were written by persons in various walks of life on the general topic, "The Concentration of Wealth." Some of the writers discuss the merits of large-scale production, others the distribution of wealth, and only one makes the distinction clearly.

But the idea of concentration in the ownership of wealth is itself somewhat perplexing. In general terms we may say that it means a divergence from an equal distribution, but what is the criterion by which to say that the concentration is small or great? Is it sufficient to say that when wealth is equally distributed there is no concentration, that when it is all in the hands of one person, there is the greatest possible concentration, and that between these two extremes there is every possible gradation? The difficulty that may arise is shown by the following example: Let the diagrams represent two ways of distributing one hundred dollars among ten persons:—

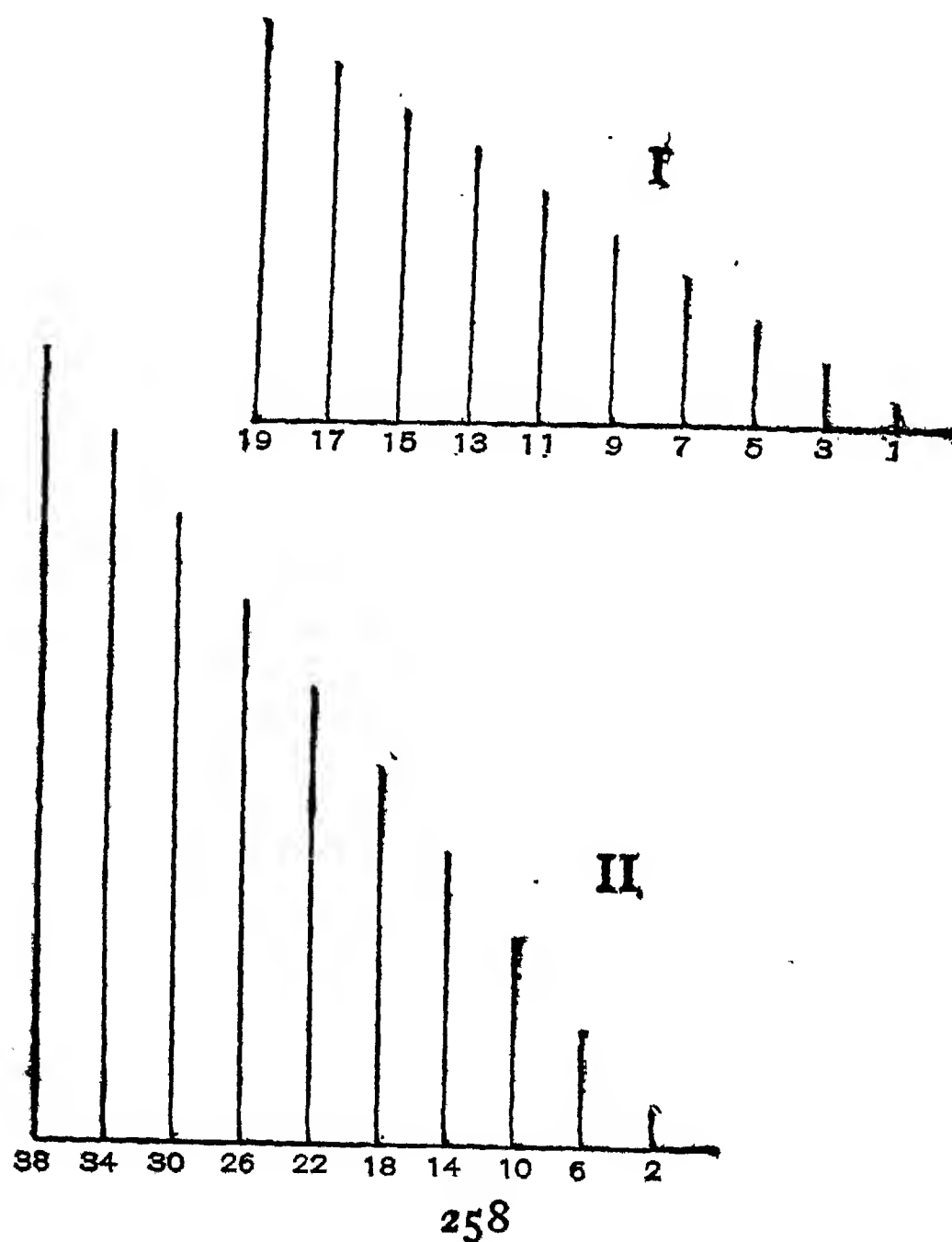
# CONCENTRATION OF WEALTH



Is the concentration greater or less in the second case than in the first? On the whole, we should probably say greater, since the richer half of the group has a larger proportion of the total wealth in the second case, but there has also been a diffusion within each half. We must recognize, therefore, that there may be movements both of concentration and diffusion going on simultaneously and one has to be balanced against the other.

## EVOLUTION OF INDUSTRIAL SOCIETY

The matter is more complicated when we try to estimate the movement toward concentration or diffusion over a period of years, during which the total population and total amount of wealth have both changed. A common method is to divide the population into classes according to amount of income received or property held, and then to compare the number of individuals in each class in the two periods. That there is great danger here of reaching erroneous conclusions can be made clear from another simple illustration:—



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Let the first diagram represent the conditions of distribution in the first period, and the second diagram the conditions when the per capita wealth (which takes into account changes in both wealth and population) has been doubled, with, however, no change in the degree of concentration. Thus in each case the ratio of the richest man's wealth to the poorest man's wealth is 19:1. Now let us proceed in the ordinary way and divide the group into classes, noting the number of individuals in each class:—

CLASSES	NUMBER IN FIRST PERIOD	NUMBER IN SECOND PERIOD
0 and less than 5 dollars .	2	1
5 and less than 10 dollars .	3	1
10 and less than 15 dollars .	2	2
15 and above . . . . .	3	6

There appears to have been a change in the relation of the classes to each other, but we know this is not the case. The error is apparent: the old class divisions do not mean the same in the second period, and we should have changed them according to the per capita increase in wealth, thus:—

CLASS	NUMBER
0 and less than 10 dollars . . . . .	2
10 and less than 20 dollars . . . . .	3
20 and less than 30 dollars . . . . .	2
30 and above . . . . .	3

## EVOLUTION OF INDUSTRIAL SOCIETY

Comparing these results with those for the first period, we find there has been no change.

The practical application of these considerations is seen when we study the significance of the growth in the number of millionaires. This growth is not in itself an evidence of increasing concentration. There has undoubtedly been an increase in per capita wealth in the last half-century, so that the millionaire class has a different meaning now. It would be more accurate to compare the number of millionaires of to-day with the number of persons having, say, \$500,000 in 1850. For a similar reason an absolute betterment in the condition of the poorer classes may co-exist with a growing concentration of wealth. The laborer may get higher wages absolutely, and yet not get what he deems his full share in the increasing wealth,—as, for example, if his wages are 5 units out of a total product of 10 in one period, and 10 out of a total product of 30 in another, his wages would have doubled, but his share would have decreased from one-half to one-third.

Let us now ask what are the facts in regard to the actual distribution of wealth. There are two different methods to be pursued in ascertaining them, one direct, the other indirect. By the former an attempt is made to get a statistical statement of the actual incomes received or property held; the latter is a symptomatic method, conclusions being drawn from such general indications of an increase or decrease in well-being in

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various classes of the community as may be derived from statistics of consumption and of wages, and from general observation. Neither method has yielded results that can be said to command very great confidence on the part of economists.

Let us begin with the direct method, and consider first a table of incomes in the Grand Duchy of Baden, based on the income-tax returns in that country<sup>1</sup>:—

CLASSES		1886			
		PERSONS ASSESSED		INCOME OF THOSE ASSESSED	
Marks		Number	Per Cent of Total	Actual (in Marks)	Per Cent of Total
I.	500-900	202,034	63.70	127,362,100	31.58
II.	1,000-1,400	53,703	16.93	62,289,900	15.44
III.	1,500-2,900	42,144	13.29	82,948,800	20.57
IV.	3,000-4,900	11,635	3.67	43,125,900	10.69
V.	5,000-9,900	5,468	1.72	36,065,200	8.94
VI.	10,000-19,500	1,582	0.50	20,719,500	5.14
VII.	20,000-24,500	206	0.06	4,517,000	1.12
VIII.	25,000-29,000	122	0.04	3,293,500	0.82
IX.	30,000-39,000	105	0.03	3,540,000	0.88
X.	40,000-49,000	59	0.02	2,546,000	0.63
XI.	50,000-74,000	70	0.02	4,154,000	1.03
XII.	75,000-99,000	17	0.00	1,435,000	0.36
XIII.	100,000-149,000	22	0.01	2,625,000	0.65
XIV.	150,000-199,000	11	0.00	1,809,000	0.45
XV.	200,000 and over	18	0.01	6,864,000	1.70
TOTAL		317,196	100	403,294,900	100

<sup>1</sup> "Handwörterbuch der Staatswissenschaften," 2d ed., Vol. III, pp. 369-370.

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CLASSES		1896			
		PERSONS ASSESSED		INCOME OF THOSE ASSESSED	
Marks		Number	Per Cent of Total	Actual (in Marks)	Per Cent of Total
I.	500-900	235,729	59.37	155,468,100	28.48
II.	1,000-1,400	78,319	19.73	90,263,900	16.54
III.	1,500-2,900	57,252	14.42	112,868,000	20.67
IV.	3,000-4,900	15,234	3.84	56,249,800	10.30
V.	5,000-9,900	7,395	1.86	49,054,700	8.99
VI.	10,000-19,500	2,103	0.53	27,836,500	5.10
VII.	20,000-24,500	280	0.07	6,166,500	1.13
VIII.	25,000-29,000	161	0.04	4,317,000	0.79
IX.	30,000-39,000	188	0.05	6,372,000	1.17
X.	40,000-49,000	116	0.03	5,098,000	0.93
XI.	50,000-74,000	116	0.03	7,023,000	1.29
XII.	75,000-99,000	39	0.01	3,407,000	0.62
XIII.	100,000-149,000	47	0.01	5,753,000	1.05
XIV.	150,000-199,000	21	0.00	3,532,000	0.65
XV.	200,000 and over	28	0.01	12,481,000	2.29
TOTAL		397,028	100	545,890,500	100

One who is conservatively inclined might draw the conclusion from this table that wealth was not greatly concentrated because less than 1 per cent of the incomes assessed were over 10,000 marks a year, both in 1886 and 1896. This is the method of interpretation employed by the French economist, Leroy-Beaulieu, when he cites, as an illustration of the wide diffusion of wealth, the fact that in 1896 there were only 2570 persons in Paris having an income of over 100,000 francs a

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year.<sup>1</sup> But such considerations do not bring out the true state of the distribution. As Dr. Charles B. Spahr<sup>2</sup> has pointed out, the proportion of the total amount of wealth held by these classes is an important consideration. In the table before us we have no information in regard to the number and amount of incomes below 500 marks, but in regard to the persons assessed, the following statements may be made: the poorest two-thirds of these persons had about one-third of the total income in 1886, and the richest .69 of one per cent had 12.78 per cent of the total income.

So conservative a writer as the late Professor Richmond Mayo-Smith has drawn similar conclusions from the statistics which he quotes for other countries.<sup>3</sup> In Prussia he finds "that 70 per cent of the population have incomes below the income tax, and that their income represents only one-third of the total income of the whole population. An additional one-fourth of the population enjoy one-third of the total income; while about 4 per cent at the upper end of the scale enjoy the remaining one-third." In Saxony the statistics show that "two-thirds of the population possess less than one-third of the income; and that 3.5 per cent of the upper incomes receive more than

<sup>1</sup> "Essai sur la Répartition des Richesses et sur la tendance à une moindre inégalité des conditions," 4th ed., Paris, 1896, p. 564.

<sup>2</sup> "An Essay on the Present Distribution of Wealth in the United States," 2d. ed., New York, 1896, p. 16.

<sup>3</sup> "Science of Statistics," Pt. II, "Statistics and Economics," Ch. XIII.



## EVOLUTION OF INDUSTRIAL SOCIETY

the 66 per cent at the lower end." In England "about 10 per cent of the people receive nearly one-half of the total income." Professor Mayo-Smith says, however, that there is great uncertainty about this statement (which is from a table prepared by Sir Robert Giffen), "owing to the difficulties of the income tax and also of estimating the average income of the non-income-tax paying classes."

In this country it is more difficult to get direct statistics on the actual state of the distribution of wealth, since we do not have general income-tax statistics. The most notable attempt in this direction has been made by Dr. Charles B. Spahr. He examined the Surrogate Court records of thirty-six counties in New York State, and classified the estates admitted to probate during the two years, October, 1892, to September, 1894, and then applied the proportions to the nation at large. In doing so, however, he excluded the returns from New York and Brooklyn because within these cities the concentration of wealth is extreme. "The distribution of wealth in the whole state of New York," says the author, "is of less importance than the distribution in the district lying outside of the two great cities. This district is typical of the country at large; for if the distribution of property is wider in the distinctively agricultural states, it is much narrower in the excluded metropolis." The table constructed on this assumption is as follows:--

# CONCENTRATION OF WEALTH

THE UNITED STATES, 1890<sup>1</sup>

ESTATES	NUMBER	AGGREGATE WEALTH	AVERAGE WEALTH
The wealthy classes, \$50,000 and over .	125,000	\$33,000,000,000	\$264,000
The well-to-do classes, \$50,000 to \$5000 .	1,375,000	23,000,000,000	16,000
The middle classes, \$5000 to \$500 . .	5,500,000	8,200,000,000	1,500
The poorer classes, Under \$500 . . .	5,500,000	800,000,000	150
TOTAL . . . .	12,500,000	\$65,000,000,000	\$5,200

From this table he reached the conclusion that less than half the families in America are propertyless; nevertheless, seven-eighths of the families hold but one-eighth of the national wealth, while but 1 per cent of the families hold more than the remaining 99. We may say, therefore, that such statistics as we have by the direct method all indicate a marked concentration of wealth both in this country and Europe.

But are the statistics correct? Those for Europe are probably substantially so, but are Dr. Spahr's conclusions for this country anywhere near the mark? Without doubt the estimate is partly based on assumptions, but are these assumptions unwarranted?

Professor Mayo-Smith offers the following observations in connection with Dr. Spahr's esti-

<sup>1</sup> *Loc. cit.*, p. 69.

## EVOLUTION OF INDUSTRIAL SOCIETY

mate: (1) Many men put real estate and personal property in the names of their wives or children during their own lifetime, so that this property never passes by inheritance. (2) The capital of a business enterprise is often transferred to sons, so that only a part or none of the property passes by inheritance. The wives and daughters are provided for by notes or obligations assumed by the sons who take the business. (3) A man's savings are often represented by his life insurance, which is really property, but which does not pass through the Probate Court. (4) Thousands of small estates, consisting of personalty only, especially where there is a single heir or a small family, are settled without recourse to the Probate Court. (5) Among the so-called propertyless there are thousands of young men who have not yet acquired farms, or homes, or business capital, but who are on the road to success, and who later will become property owners.

It is not clear that the first three of these considerations compel us to reduce the estimate of the relative holding of the rich because the omissions may well amount to as much among the rich as among the lower classes. The fourth consideration does indicate that the holding of the poor is somewhat underestimated. The fifth brings out the interesting point that in a community in which all men acquired property in equal degree as they grew older, a statistical table might nevertheless show that the wealth at a particular time was con-

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centrated in the hands of the few, that is, the older men. But the estimate in question is not open to this objection because Dr. Spahr, taking the Probate returns as a basis, found what the distribution was among those people who died; and in applying this proportion to the whole number of families, he really stated the distribution as it would be if all the families had acquired all the property which they ever would acquire. His method, however, is open to other criticisms, but it must be acknowledged that he evinces a disposition to avoid exaggerations.

The direct statistical method is still more difficult to apply in answering the question whether the concentration is growing or diminishing. It requires that the same kind of statistics be had for two rather widely separated periods of time. Furthermore, the statistics usually are in such shape that we cannot rearrange them in new classifications to allow for the change in per capita wealth, as we have seen one must do. In the table of incomes for Baden given on pages 261 and 262 we have figures for the two years 1886 and 1896. The percentage of the incomes below 1000 marks has decreased slightly, but so has the percentage of the total income attributed to this class; and taking the slight per capita increase in total income into consideration, the indication is that the concentration has not changed. Again, the richest 0.09 per cent in 1886, and the richest 0.09 per cent in 1896 had respectively 5.70 and 6.83 per cent of the total

## EVOLUTION OF INDUSTRIAL SOCIETY.

income, indicating possibly a slight movement toward concentration.

In England, a comparison of the estates admitted to probate in 1838 and 1891, by a method of interpretation similar to the one used in the foregoing paragraph, shows a marked concentration. Calculating from the figures quoted by Dr. Spahr, we find that in 1838 the richest 4 per cent of the estates amounted to 56.6 per cent of the total wealth, while in 1891 the richest 4 per cent of the estates amounted to 68.3 per cent of the total wealth. In this country there are practically no statistics in this connection.

Let us now turn to the indirect method. Just as a surveyor checks with his common sense the results of his measurement of a field, so we must ask whether the results of the direct method are reasonable or absurd. Some writers, in order to show a diffusion of wealth, point to a general increase in wages and to the fact that the poor now consume many things that the rich could not have afforded a number of years ago. What they really do succeed in proving is that the lower classes have not been wholly excluded from the benefits of the general increase in wealth; but no matter how firmly that point is established, it still remains an open question whether the concentration is greater or less.

Another method of checking the results of the direct method is to appeal to common observation. What do persons coming from different sections

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of the country or those who have travelled widely report as to what they have actually observed? Those coming from the smaller towns and from the country seem to be impressed with the existence of a general well-being.<sup>1</sup> Comfortable homes seem to be the rule, and the excessively rich the exception. But those who live in the large cities are struck with the wide gulf between the rich and the poor. Many are in abject misery, and some are spending for trifles what would be a fortune to others. Obviously, such general considerations cannot lead to very definite conclusions, but it does not seem to the author that, on the whole, they contradict the impression which one gets from the statistics by the direct method. It doubtless is true that all classes have shared in the increased wealth production, and yet it is true that a considerable degree of concentration exists in the United States at the present time. A rather small part of the population receives a rather large part of the nation's income. Of course, we do not want an equal distribution. It is desirable to give men a special reward for special effort, and that means inequality of income. The captains of industry must be paid for their industrial leadership, but it is not improbable that society is now paying them a price somewhat higher than necessary.

<sup>1</sup> This is particularly the case in the middle West.

# EVOLUTION OF INDUSTRIAL SOCIETY

## LITERATURE

Much as this subject has been talked about, very little of value has been written upon it. The best works for use in connection with this chapter, are the following : —

GIFFEN, SIR ROBERT, *The Progress of the Working Classes in the Last Half-century with Note on American Wages.* New York, 1888. A well-known and popular presentation by one of the leading statisticians of our time. It is held by many, that a more critical examination of statistics gives a less roseate view of the progress of the working classes.

SPAHR, CHARLES B., *The Present Distribution of Wealth in the United States.* New York, 1896. This work gives references to other books dealing with the same subject. The work contains some mistakes, and the subject is inadequately developed, and statistically is only brought down to 1896. It needs a careful revision and enlargement, but even in its present form it has much valuable information for the student.

LEROY-BEAULIEU, PAUL, *Essai sur la répartition des richesses et sur la tendance à une moindre inégalité des conditions.* 4th ed. Paris, 1896. Takes an extremely optimistic view of the forces at work in distribution, maintaining that inequality in economic conditions is diminishing.

MAYO-SMITH, RICHMOND M., *Statistics and Economics.* New York, 1899. Bk. III, Distribution. This is a careful and critical statistical examination of the distribution of wealth. Professor Mayo-Smith criticises the results reached by Dr. Spahr, and the two books should be read together.

PARETO, VILFREDO, *Cours d'Economie Politique.* Lausanne and Paris, 1897. Vol. II, Bk. III, Ch. I. Treats the subject of distribution mathematically.

## CHAPTER VII

### THE INHERITANCE OF PROPERTY

THE chief modern industrial problem is often stated to be the distribution of property. What is wanted is widely diffused property, and it is desired to bring about this wide diffusion without injustice, and without injury to the springs of economic activity.

Many proposals are brought forward which aim to produce a more general prosperity. Two of the best known are the single tax and socialism. These, however, apart from all other considerations, encounter the strongest obstacles to their introduction because they are so adverse to powerful private interests. Wise social reform will always seek for the line of least resistance. It is granted that the end proposed by socialism and the single tax is desirable in so far as it contemplates a wide distribution of wealth,<sup>1</sup> but before committing ourselves to any extreme doctrines it is well to ask, What can be done without radical change? — in other words, what can we accomplish in order to ameliorate the condition of the masses without departure

<sup>1</sup> This does not mean an indorsement of the particular sort of distribution advocated either by socialism or the single tax.



## EVOLUTION OF INDUSTRIAL SOCIETY

from the fundamental principles of the existing social order? When we reflect upon it, we find that there are many things, and that these are quite sufficient to occupy the thoughts and energies of well-wishers of their kind for a long time to come.

What can be done by a regulation of inheritance to change the distribution of property, and consequently of the opportunities and income which property affords? Once in a generation nearly all property changes owners, and that makes possible the greatest changes within half a century. There is a perpetual flow of property from the dead to the living, and it is not difficult by means of law to exercise a decided influence over this current. When we attempt to bring about reform and improvement by a wise regulation of inheritance, we have a solid basis of experience to help us.

The regulation of inheritance is a much larger question than the mere taxation of inheritance. It implies, first of all, the formulation of rules to determine the passage of property from the dead to the living. It must be decided, on the one hand, who are heirs and how the property is to be divided among them, where there is no will or testament; and then, on the other, the law must determine what kind of limitations are to be placed upon the right to dispose of property by will and testament. Provisions of this kind have in themselves a remarkable influence upon the distribution of wealth. A law providing that property must be distributed

equally among all children, and a law of primogeniture which favors the oldest son, will produce very different results in wealth distribution, inasmuch as they operate continuously and silently year after year. France is an example of the influence of the operation of a law of the first kind, and England illustrates the influence of primogeniture. Other forces have doubtless been at work in both countries, but there can be no doubt that the wider distribution of property in France is due in considerable measure to the direct action of the law, and also to the influence of the law upon public opinion.

Another part of such legislation which naturally suggests itself is the taxation of the estates of decedents, and such estates are taxed to a greater or less extent in nearly all — perhaps in all — great modern nations. We may mention England, Australia, New Zealand, and Switzerland as countries with particularly instructive experience in the taxation of inheritances. Pennsylvania, New York, and Illinois are three prominent states in our Union among twenty-six, which have inheritance taxes. Three of the countries named, Australia, New Zealand, and Switzerland, have taxation of inheritances which amounts to a conscious attempt to influence the distribution of property.

Some one at this point may interrupt with the objection, "You are proposing measures which impair the rights of private property." The objection is not valid. The right of inheritance is one right, and the right of private property is another

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and a distinct right. He has made but little progress in the fundamental principles of jurisprudence who does not see how clearly separate are these two rights. The right of property means an exclusive right of control over a thing, but the right of inheritance means the transfer of this right in one manner or another. If there is no will, it means the right of some one to succeed to property, and this right is a product of positive law. If a will is made, the right of inheritance means not an exclusive right of control vested in a person, but the right of a person to say who, after his death, shall exercise the rights of property over things which were his while he was living. But the dead lose all rights of property, because proprietary rights inhere in the living alone. Blackstone in his Commentaries on the Laws of England clearly discriminates between the rights of property and the rights which we lump together under the designation inheritance. He says: "Naturally speaking, the instant a man ceases to be, he ceases to have any dominion: else if he had a right to dispose of his acquisitions one moment beyond his life, he would also have a right to direct their disposal for a million of ages after him: which would be highly absurd and inconvenient. All property, must, therefore, cease upon death, considering men as absolute individuals unconnected with civil society. . . . Wills, therefore, and testaments, rights of inheritance and succession, are all of them creatures of the civil or municipal laws, and accordingly are in all

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respects regulated by them ; every distinct country having distinct ceremonies and requisites to make a testament completely valid ; neither does anything vary more than the right of inheritance under different national establishments.” Blackstone says it is an erroneous principle to suppose that “the son has by nature a right to succeed to his father’s lands,” or that the owner “is by nature entitled to direct the succession of his property after his own decease.”

The opinions of our ablest state courts and of the Supreme Court of the United States have been in entire accord with Blackstone’s view, and in the two most important cases which have come before them, their decisions have turned upon the distinction between the right of property and the right of inheritance. The first of these cases involved the constitutionality of the law of Illinois, dated June 15, 1895, which imposed a tax on estates of decedents, increasing in a general way as relationship of those inheriting the property becomes more distant, and as the amount inherited becomes larger.<sup>1</sup> The decision of the Supreme Court of Illinois in upholding the law, included the following language :—

“The right to inherit and the right to devise being dependent on the legislative acts, there is nothing in the constitution of this state which prohibits a change of the law with reference to those subjects, at the discretion of the law-making power.

<sup>1</sup> In case of the more distant relatives, the estate as a whole determines the rate and not the share received by each one.

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“The law of descent and devise being the creation of the statute law, the power which creates may regulate and may impose conditions or burdens on the right of succession to the ownership of property to which there has ceased to be an owner because of death, and the ownership of which the state then provides for by the law of descent or devise.

“The imposition of such a condition or burden is not a tax upon the property itself, but on the right of succession thereto. To deny the right of the state to impose such a burden or condition is to deny the right of the state to regulate the administration of a decedent’s estate. . . .

“When by the act of June 15, 1895, for the taxation of gifts, legacies, and inheritances in certain cases, the legislature prescribed that a certain part of the estate of the deceased person should be paid to the treasurer of the proper county, for the use of the state, it was in effect an assertion of sovereignty in the estate of the deceased persons.

“Whether to be levied and determined as a tax or penalty, the principle is that where one owning an estate dies, that estate is to be assessed in accordance with those provisions of the act, and the tax to be paid for the right of inheritance. The amount reserved to the state from the estate of a deceased owner is not a tax on the estate, but on the right of succession. . . .

“That statute provides that certain classes of property which was a part of an estate, shall be exempt from taxation under these conditions, and when the legislature provides other classes of property, some of which shall pay \$1 per \$100, others \$2, others \$3, and others \$4, and still others \$5, and again others \$6 per \$100, six different classes are created, under and by which a tax is levied by valuation on the right of succession to a separate class of property.

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“The class on which a tax is thus levied is general, uniform, and pertains to all species of property included within that class. A tax which affects the property within a specific class is uniform as to the class, and there is no provision of the constitution which precludes legislative action from assessing a tax on that particular class.

“By this act of the legislature six classes of property are created heretofore absolutely unknown. It is those classes of property depending upon the estate owned by one dying possessed thereof, which the state may regulate as to its descent and the right to devise.”<sup>1</sup>

It is thought worth while to quote from this decision at some length, as the principles involved are so fundamental and so far-reaching. An appeal to the Supreme Court of the United States was taken, and the decision sustained the Supreme Court of the state.<sup>2</sup>

The second of these two cases involved the constitutionality of the Federal War Revenue Act of 1898, imposing an inheritance tax on personal estates exceeding in value \$10,000; the rate increasing as relationship becomes more distant, and as the property inherited becomes larger, rising to 15 per cent in case of estates exceeding \$1,000,000, inherited by distant relatives or strangers in blood. The constitutionality of the law was contested because, among other things, it was claimed that the tax was a direct tax on property, which is prohibited by the Constitution of the

<sup>1</sup> *Kochersperger v. Drake*, 47 N. E. Rep. 321. 167 Ill. 122.

<sup>2</sup> *Magoun v. Illinois Trust and Savings Bank*, 170 U.S. 283.

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United States. The Supreme Court of the United States held that an inheritance tax is not a tax on property, but a tax on the right to receive property, and is, therefore, not a direct tax when regarded from the standpoint of the Constitution.<sup>1</sup>

The right of private property in itself is not an unlimited one, but is limited and regulated to an increasing extent by all modern nations. Let one but think what this right implies. It implies, among other things, my right to fence in a certain portion of the earth's surface, and to exclude others from it and use it as I see fit, subject only to such general regulations as may exist to prevent the abuse of private property, or to secure the public interest. These regulations, however, as they are general in character, must always leave untouched many gross abuses. But when we come to the claim that my right of disposing of property by last will and testament is practically unlimited, it means not only my right to regulate the use of certain portions of the earth's surface, or claims to certain portions of other valuable things in this earth during my lifetime, but for all future time. There are those, indeed, who go so far as to hold that a man may establish certain regulations for the use of property after he is dead and gone, and that these regulations must be binding upon all future generations. Could any

<sup>1</sup> Knowlton v. Moore, 178 U.S. 41. The court held that "it is the power to transmit or the transmission from the dead to the living on which such taxes are more immediately vested."

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claim be more monstrous? It is in itself the extremest radicalism.

Nothing illustrates better the changing ideas and practices concerning inheritance than this right to make a last will and testament. Sir Henry Maine, in his "Village Communities," says, "The power of free testamentary distribution implies the greatest latitude ever given in the history of the world to the volition or caprice of the individual." The right of making a will is one which has not been generally recognized, it is safe to say, during the greater part of the world's history. Probably the vast majority — say, as a rash guess, nineteen-twentieths — of the human beings who have ever lived have not known this right. There is a legal maxim of the old Teutonic law which prevailed among our ancestors to the effect that "God, not man, makes heirs." This old Teutonic law provided that a man's property should pass to his family, and this he could not prevent if he would. This has been the most common regulation of inheritance. The Roman law in the process of its development finally brought in the right of free testamentary disposition of property — a development of individualism in keeping with many other parts of this law. The Roman law, however, had no sooner established the right of a man to dispose of his property by will and testament than it began to limit this right, and to make these limitations more and far-reaching. The experience of other countries has been similar. No



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sooner do we approach an unlimited right of disposing of property by last will and testament than we begin to beat a retreat.

The modern man thinks it a thing right in itself that he should be able to tell what shall become of his property after his death, but millions of human beings have lived and died who have thought it a thing right in itself that the laws of inheritance should exclude the right to make a will. This merely illustrates the changing, fluctuating ideas concerning inheritance. In Virginia for some time after our Revolutionary War, the right of the eldest son to receive a double portion of his father's estate obtained, and it was spoken of as "being according to the law of nature and the dignity of birthright." As a matter of fact, the laws of inheritance direct the disposition of most property, and they gradually so form our opinions that we look upon what they provide as naturally right, although they provide one thing in one country or state, and another thing in another country or state. It has been said that even when wills are made in modern times they, as a rule, do little more than carry out the provisions of the law. Perhaps there is no department of life in which law has a greater effect upon public opinion.

If it is the function of the law to regulate inheritance, what should be the purpose of the law? We may say that the law has four purposes. The first one of these purposes is to maintain a régime of individual property. The owner of property

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dies, and it has to be determined who shall succeed him and carry on his economic activity in the use of his property. It is possible gradually to introduce the public ownership of property by limiting the right of individuals to receive property which, through death, ceases to have owners. This is indeed the most conservative and least painful way to inaugurate socialism; but we who believe in private property and private production must, in the regulation of inheritance which we favor, have in view measures which will maintain private property and private production, although we may favor a larger public ownership and a larger public production in various fields of industry and attempt to bring this about through our regulation of inheritance.

The second purpose of the law must be to gratify the wish of the individual to direct the disposition of his property after his death. This must be held to be something subordinate, but at the same time we should not neglect that justifiable and socially beneficial sentiment which has an affectionate regard for the wishes of those who have passed over to the great majority, in so far as we may do so without injury to the living. The point is that we must remember that the dead have no legal rights, and that we should not allow their wishes to interfere with the well-being of the living. This is too large a subject to discuss further in this place; and a further discussion, indeed, is scarcely needed for present purposes.

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The third purpose is the welfare of society in general, and under this head we may say that the preservation of small properties is important, and that that idea of justice which demands that a person should make a fair return for that which he receives is one which ought to be kept in view.

The fourth purpose relates to the family. Rev. Samuel W. Dike, who has made the study of the family as a social institution a specialty, complains that our laws neglect to treat the family as such, and to provide for its welfare.<sup>1</sup> This is true. The modern legislator does not stop to ask the effect of proposed measures upon the family as an institution. Frequent divorces, of which we hear so much, are only one manifestation of this general neglect, the fruit of radical individualism. We have done one thing in the United States, — we have made careful provisions for the rights of the wife in the property of her husband. The law generally provides that the wife shall inherit a

<sup>1</sup> Dr. Dike is corresponding secretary of the National League for the Protection of the Family. The aim of this league, as stated in its constitution, is as follows: "Its object shall be, through the improvement of public sentiment and legislation, to protect the institution of the family, especially as affected by existing evils relating to marriage and divorce, and to secure its proper efficiency in individual and social life." The officers of the league include prominent men of character and standing throughout the country. The address of the corresponding secretary is Carbondale, Massachusetts.

Such a matter as that of the influence of the laws of the inheritance of property upon the family could be very well taken up by an organization of this sort.

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third of the husband's estate,<sup>1</sup> and no will can lessen the wife's legal share. This is a far-reaching limitation of the right of making a will. But even when providing for the wife, the legislator seems to have regarded her rather as an individual than as a part of the family. Other laws concerning members of the family support the view that the provision made for the wife is made for her as an individual rather than as one in the family. The right of the husband to inherit from the wife does not appear to have been carefully worked out in our states. The husband has what is known in common law as courtesy, which entitles him to a life interest in all the wife's real property of which she died seized, provided there are children of the marriage born alive. But the wife by will may cut off this right of courtesy absolutely, and alienate all her lands. Cases have fallen under the author's observation in which great injustice has been worked by this limitation of a husband's rights. Twice he has known cases where men in their old age have been deprived of the enjoyment of the property of a deceased wife, owing to the machinations of the wife's relatives. In one of these cases, a large part of the value had been given to the property by the efforts of the husband, and in the other it had originally belonged to the husband,

<sup>1</sup> It is not necessary here to go into such details as the difference between personal property and real estate, involving a difference between full property and life use, nor into all the variations which exist in different parts of the Union.

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and was transferred to the wife to gratify her whim. In the first case the old man was deprived of a home when he was too advanced in years to earn a livelihood; in the latter the husband was able to effect a compromise, giving him a life interest in his deceased wife's property. These are simply illustrations, but they confirm the view that this question of a husband's rights to the property of a deceased wife has not been treated from the standpoint of the family. There has been nowhere in the United States adequate provision for children, although it might be supposed that their claims would be superior even to the claims of a wife. A wife enters into relation with her husband when she is an adult, freely and voluntarily; but children have no choice about the relationship into which their parents bring them. The laws of some countries provide that a child must receive a certain share of the estate of a parent, and that this cannot be willed away. This share is called in the Roman law "*legitima portio*," — legitimate part, — but the German law has a better designation for it, "*Pflichttheil*" — duty part. The laws of France provide that a father with children may will away only a minor portion of his estate, and that the bulk of his property must be divided equally among all the children. The details of the law may vary, but it is contrary to the fundamental principles of the law to neglect to provide for children in the laws of inheritance. Those who are responsible for having brought

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children into the world may not presume to disinherit them. A parent's duty is to do all in his power to give his children the training and opportunities which will enable them to lead happy and useful lives. It is not, however, desirable that children should be placed in such a position that self-exertion is rendered needless, and should we, in the United States, establish the principle of the "duty part" for children, even in the case of the richest parent it should scarcely exceed fifty thousand dollars for each. There may also be special reason, in the case of small estates, why all the property, or by far the larger proportion, should go to one child to the exclusion of others. More will be said presently about cases where there is good ground for giving one child preference, and provision should be made whereby, for good and sufficient reason, the rule of the "duty part" need not apply. Practical details would be difficult to work out, but probably no more difficult than many other details in a well-elaborated code governing the inheritance of property.

The rest of the estate, after providing for wife and children and after satisfying the claims of the state, should be left subject to free disposition. When no will is made, the rule according to which property is divided among wife and children in this country is perhaps tolerably satisfactory; but suppose a man dies making no will, and has only collateral relatives. What should be their legal claim upon the estate? The modern laws which

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provide that even distant relatives may inherit the property of intestates are survivals of an earlier period, when large family groups lived together and formed a kind of family partnership under the authority of the patriarch. When a man died under such circumstances, it was only natural that his property should pass to the family or the clan, itself but a larger family, for all were united together by ties of interest and affection. There was a correspondence between rights and duties. But what is the case at the present time? The peculiar ties which bind together distant relatives are practically unworthy of consideration. Rights and duties ought to be coördinate, but distant relatives recognize no special duties toward one another, and do not think about their common relationship unless there is some property to be inherited from a distant rich relative, for whom they care nothing. When they are heirs, they are, to use a fitting German expression, "lachende Erben" — laughing heirs. In the absence of a will, there is positively no reason whatever why any one should inherit from a third cousin. The family reason does not cover the case, because family feeling does not in our day extend so far, and, indeed, there is no reason why it should. The right of inheritance, so far as relatives are concerned, should reach as far as the real family feeling does, but no farther. Intestate inheritance should include, perhaps, those who are nearly enough related so that they can trace descent from a common

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great-grandfather, but none who are more distantly related. This allows second cousins to inherit from one another, but not third. It allows that one may inherit from a great-uncle, but not from a great-great-uncle, and so on. Any provision for a more distant relative should be made by will, just the same as provision for any one who is not related at all. All property which is not willed away and does not fall to some heir recognized by law should fall to the state as the ultimate heir.

The right of disposing of property by will and testament may be left intact—and should be so left, in the public interest—with the limitations mentioned. After all legally recognized claims are satisfied, it is beneficial rather than otherwise to allow a person to dispose of the rest of his estate by will, although it should be clearly recognized that this is a matter over which the law has control, and that no human being has any right to say what shall take place on this earth, or what use shall be made of anything he may leave, after he is dead and gone. It may very well happen that there are persons with moral claims upon a man who are not connected by ties of blood, or not nearly enough related to inherit property according to the laws of intestate inheritance. The only way to make provision for such special cases, which justice or gratitude may point out, is by will. It may also happen, as we have seen, that among the legal heirs there may be particular reason why one should be selected as



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the recipient of more than a proportionate share of the property.

Take the case of four or five brothers, one of whom is a cripple, the others strong, active, and capable — what could be more just than that the unfortunate one should receive a larger share than the others? It may also happen that of three or four daughters, one has married a poor man and the others wealthy men, and the father may see good reason for equalizing their conditions. A thousand and one cases arise in daily life for which individual provision must be made, as they do not fall under the general rule, and the law cannot provide for them. Persons of means may also properly enough leave property to educational and charitable institutions. The right to dispose of a portion of property by will tends to the encouragement of energy and thrift.

All inheritances of every sort should be taxed, provided the share of an heir exceeds a certain amount. The state or the local political unit — as town or city — must be recognized as co-heirs entitled to a share in all inheritances. A man is made what he is by family, by town, or the local political circle which surrounds him, and by the state in which he lives, and all have claims which ought to be recognized. Taxation of inheritance is the means whereby this claim of the state and town may secure recognition. It should, however, be borne in mind that it is a peculiar tax, and rests upon a different basis from the ordinary tax. The

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justification which appeals most strongly to many thinkers is that the political organisms are co-heirs. There are, however, many different standpoints from which the taxation of inheritances can be justified, and care must be taken not to press this view too far. It is valid within limits, but it is not an exclusive doctrine, for there is truth in other views which have been advanced.

Property which comes by inheritance is frequently looked upon as an income received without toil. In so far as this is true, it is for the one receiving it an unearned increment of property, and on this account may properly be taxed. The most satisfactory basis on which property can rest is personal toil and exertion of some kind; and when property comes otherwise than as a return for social service, a special tax finds a good solid basis in justice.

The view that property received by inheritance is to be regarded as income, and an income which is unearned, is inadequate, inasmuch as it does not conform to the facts in many cases. It fails to recognize the activity of the wife and also of other members of the family in the accumulation of property, particularly in the case of small or moderate estates. The wife very frequently helps to earn the common property of husband and wife. This is the rule in the case of families having small or moderate fortunes. Every one will be able to mention cases which have come within his observation where the wife is entitled

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to the greater part of the credit for all the property that has been saved. It is easy to find farmers, grocers, and small tradesmen whose wives and children all work together in the accumulation of property. Even where the wife does not so actively participate, she may be present in the thought and mind of her husband in the accumulation of property, and be a powerful incentive to accumulate. She then participates in the accumulation through the bond of affection. It is rather in the case of those outside the immediate family circles, as well as in the case of large estates, that we can regard inheritance of property as the "accidental or fortuitous receipt of property," that is, "accidental income." The distinction which has been drawn between the various views to be taken of inherited property has an important bearing upon the amount of property which should be exempted from taxation, and also upon the rate of taxation.

It generally happens, perhaps universally, that a large property does not pay its fair share of taxes during the lifetime of its owner, and the tax upon estates when their owners die may be regarded — if it is not too large — as a payment of back taxes. It is notorious with us that personal property bears relatively a very small proportion of the burdens of government, and it has been proposed that the ordinary property tax on personal property should be abolished, and that in the place thereof there should be substituted a tax on all estates of decedents in so far as they

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consist of personal property. These, however, are grounds only for a limited tax, which, in the case of the personal property, ought to be added to the regular inheritance tax, if personal property is otherwise exempt from taxation. New York State has an inheritance tax of one per cent on personal property, which seems to have been imposed in view of the failure of personal property to bear its due share of taxes. It has been imposed, however, while still retaining the general property tax which applies to personal property as well as real property. It is in this way not a legitimate tax, nor one which works with perfect justice, inasmuch as there may be supposed to be variations in the degrees to which personal property escapes taxation. The thought expressed in this chapter is that a small tax on personal estates of decedents should be in lieu of the taxation of miscellaneous forms of personal property, such as furniture in homes, personal notes, etc.

The taxation of inheritances should be graduated, the tax increasing as the relationship becomes more distant, and as the property becomes larger. The taxation, however, should be calculated on the share received, and not on the estate as a whole, and that for two reasons.

The first is that this gives equality among the recipients of property, in so far as they belong to the same class. If the rate is based upon the estate as a whole, the nephew of one man receiving \$10,000 might be obliged to pay twice as high

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a tax as the nephew of another man receiving \$10,000, on account of the greater size of the estate as a whole in the one case than in the other. Another reason why the tax should be calculated on the share received is that in this way a wide distribution of property is encouraged. A very rich man can divide his property into so many shares that the tax paid will be relatively small, being imposed at one of the lower rates. Our courts have favored the determination of the rate by the amount of the share received, rather than by the amount of the estate as a whole. The Supreme Court of Wisconsin in 1902 declared a progressive taxation of inheritances unconstitutional, because the progression was based upon the estate as a whole and not upon shares received. The court held that this was contrary to the rule of equality, inasmuch as those who belonged to the same class were taxed at different rates.<sup>1</sup> The United States Supreme Court so interpreted the War Revenue Act of 1898 as to base the progression upon shares received rather than upon the amount of the estate as a whole, although the officers who had administered the law, up to the time of the decision of the Supreme Court, held that the progression was based upon the estate as a whole. The law of Illinois grants exemptions to limited amounts of property from the tax. This exemption is \$20,000 in the case of direct inheritance, or inheritance by husband or wife, and the

<sup>1</sup> *Black v. State*, 89 N.W. 522, 113 Wisc. 205.

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tax is levied only upon the excess of \$20,000 received by each person. When we come, however, to the more distant relatives and strangers in blood, we find a progressive rate, and the progression depends upon the size of the estate as a whole, and not upon the share inherited.

The tax rises to 20 per cent of the estate in some of the Swiss cantons, to 13 per cent in New Zealand, and to 10 and 15 per cent in some other countries. Before the federal taxation of inheritances was abolished in 1902, a tax as high as 21 per cent could be levied upon estates in Illinois. This would apply to very large personal estates inherited by distant relatives who would have to pay a federal tax of 15 per cent, and a state tax of 6 per cent. It would seem that at the present time the variation in the rate from 1 per cent to 20 per cent is sufficient, establishing 20 per cent as the maximum. Possibly a time may come when public opinion will be more enlightened, and a higher maximum would be desirable. Mr. Andrew Carnegie is willing to see a tax rate of even 50 per cent, and advocates such a high tax on estates of decedents on social grounds. It will probably be a long time before so high a tax would meet with general approval, but we know that a tax of 20 per cent works well.

It is a rule that a certain amount of property should be exempt from inheritance taxation. This amount is one which should vary greatly. We have already seen that, in the case of the imme-

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mediate family, provided the estate is a moderate one in amount, say \$50,000, the property inherited is not to be looked upon as income. It should be regarded as a capital sum which is designed to yield income. This gives us a principle which we can use in calculating the amount of the exemption. It should be a capital sum which would yield an income which ought to be exempt in the case of a general income tax. If \$600 is a very moderate exemption in the case of an income tax, we can then ask what sum will yield \$600. If property yields 5 per cent, the sum is \$12,000, and that would seem to be a very moderate exemption in the case of the widow. The author knows of no more carefully worked out bill for the taxation of inheritances than that which has been presented to the legislature of Wisconsin, in the present year, by the Wisconsin State Tax Commission. The amount of exemption which is provided for by this bill is \$10,000 in the case of the widow, and in the case of the husband, lineal issue, lineal ancestor, adopted or mutually acknowledged children, \$2000. The amount exempted falls rapidly in the case of collateral heirs, the highest exemption being \$500. It would seem that the Tax Commission has adopted the view that as soon as we pass outside the immediate family, the inheritance is to be looked upon as income, and as unearned income.

The celebrated Professor Bluntschli of Heidelberg laid down these proposals for a reform in the laws of inheritance.

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First, the share of a child is not to be taxed unless it exceeds \$24,000, but of any excess above \$24,000 the local political unit (which, for the sake of brevity, we will hereafter call town, in every case) shall receive 10 per cent. If the share of a child exceeds \$120,000, the state shall receive of the excess above \$120,000, a child's share.

Second, if the estate falls to parents or grandparents of the decedent, the town is to receive a share of 5 per cent of the estate, provided the share of a single ancestor is more than \$2400, but does not exceed \$12,000, and 10 per cent of the excess of a share over \$12,000. If the share of a single ancestor exceeds \$24,000, the state receives a share equal to 10 per cent of the surplus.

Third, the brothers and sisters and children of brothers and sisters of decedents are to be treated, so far as inheritance goes, like parents and grandparents.

Fourth, if the heirs of the decedent are descended from grandparents, but not from the same parents, —that is to say, if they are cousins, aunts, and uncles,—the town is to be entitled to a share of 10 per cent of the estate, if this exceeds \$2400, and 20 per cent of the excess of the estate above \$12,000. If the estate exceeds \$24,000, 20 per cent of this excess is to go to the state, and not to the town.

Fifth, if the heirs of the decedent are descended from common great-grandparents, but not from common grandparents or parents, the share of the town is to be 20 per cent if the estate exceeds



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\$2400, and 30 per cent of the excess above \$12,000, and if the estate exceeds \$24,000, the state is to receive 30 per cent of this excess.

Sixth, if the decedent has no relatives near enough to be descended from common great-grand-parents, the estate is to fall to the town if it does not exceed in value \$12,000, but if the value is greater than this, the entire surplus above \$12,000 is to fall to the state.

Seventh, if the decedent leaves a husband or wife, the survivor is to have a life interest in the share of the town or state.

Bluntschli proposes that this property acquired by the local political units and the state should be used as a fund to support institutions especially designed to promote the interests of the property-less classes, also that it should be used to reward persons who have distinguished themselves in science or in art, or who have rendered especially valuable service to the poorer classes of society. He is unwilling to allow a diversion by will of that portion of the estate which falls to the town or state, but he is willing to allow a person to direct that that portion which belongs to the town or state as "duty part" (*Pflichttheil*) should be made over to charitable or benevolent or educational foundations, provided town and state give their approval, and he is also willing that the testator should give survivors a life interest in that part of the estate which must ultimately fall to town or state.

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These proposals of Bluntschli seem eminently wise and conservative, and while it may be desirable to alter them in details, they furnish an excellent basis for discussion.

The use to be made of the funds acquired by the taxation of inheritances, and by establishing the co-heirship of town and state, must vary according to time and place. Bluntschli would have this property used to provide large estates for persons who have rendered signal service to the state. There is precedent enough for this in European states. Bismarck was given a fortune after the Franco-Prussian War, and England has conferred fortunes upon great generals. While such a disposition of property to create great and powerful families may perhaps be proper enough in Germany, it would be altogether unsuitable for our country. There are, however, many uses which suggest themselves. In cases of cities, towns, and states weighed down with debt, the payment of bonds would be an excellent employment of the funds. In case taxes are extraordinarily high and weighing down industry, the proceeds of all, or at least a part, of the inheritance tax could be used to reduce the ordinary tax rate. But there are very few places in the United States where, apart from inheritance taxation, a properly developed tax system would not provide for all present expenditures of government without overburdening any one. There are, however, great improvements which it is desirable to carry out, and these funds could be used to effect improvements which cost too

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much to be defrayed out of the ordinary taxation. The states of the Union, and many of the towns, ought to go into forestry, purchasing large tracts of land, especially on mountains and along river courses, and covering these with trees. States and cities have allowed the ownership of valuable public works to slip away from them into the hands of private corporations. Waterworks, gas-works, street-car lines, and the like, might be purchased and operated at cost.<sup>1</sup> All great cities require a larger number of parks, especially of small parks in the crowded sections. Sanitary measures may be mentioned, and some of these are expensive. They, however, lower the death-rate and improve the health of the community. There are many cities which ought to buy slums and tear down the houses in them. The city of Birmingham, England, bought a large tract of land in the centre of the city, which was the worst slum region in it, and tore down all the houses. It then leased the land for a limited term of years, to be built up with houses according to plans and specifications laid down. The result has been a remarkable improvement in the city, and it is said that when these leases fall in, Birmingham will be one of the richest, if not the richest, municipal corporation in the world.<sup>2</sup>

<sup>1</sup> Some other plan would perhaps be better. This is intended simply as a suggestion.

<sup>2</sup> This undertaking is admirably described by Dr. Albert Shaw in his "Municipal Government in Great Britain," Ch. IV, "Birmingham: its Civic Life and Expansion."

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London has decided to undertake a similar improvement, but it is stated that in the case of London this will involve great expense. School funds ought to be increased until they become great enough, with the aid of current taxation, to provide the entire population with the best educational facilities of every sort, including manual training, kindergartens, public libraries, universities, industrial museums, art galleries, and the like. It would be especially desirable to improve the schools in the rural communities, establishing good high schools wherever the population is sufficient to furnish them with pupils. Good schools in the country districts would tend to keep people in the country, for now many leave the country and go to the cities purposely to educate their children. It is on every account desirable to make the country pleasanter and more attractive as a place of abode. Another fund may be suggested as suitable to be accumulated out of property inherited by the state and town, and that would be a highway fund, designed to help to improve the streets and roads of the state. The income of this fund could be distributed to towns and counties in such a manner as to encourage them in the improvement of roads and streets. It might be provided, for example, that for every two or three dollars expended by the local political unit, one should be granted from the fund.

A few words should be added to show why it is preferable not to use the proceeds of inheritance

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taxation for current expenses. Other taxes are generally sufficient for current expenses, and society, like the individual, should be thrifty, and improve what may be called the general plant. This is only a figurative expression. The idea is, that the general physical environment should be improved, thereby increasing the social capital of the country, and that there should be an accumulation of those forms of wealth which are the permanent sources of satisfaction and enjoyment. It is well to set aside a special source of revenue for this specific purpose. Another reason why this particular tax should be used for expenditures conveying permanent benefits is that, as the tax rates increase, we are taking from accumulated property, and not merely from current income. It is highly important that the development of inheritance taxation should not carry with it a decrease in accumulated wealth. If an inheritance tax implied this, then it would indeed be what Adam Smith calls it, "an unthrifty tax." Up to the present there is no probability that inheritance taxation has decreased by the smallest amount the accumulated wealth of any country. But we must look to the future, as well as to the present. Society as a whole, as well as the individual, must cultivate foresight.

The line of reform proposed in this chapter will stand every test which can be applied to it. It is, as already mentioned, a reform which meets with approval wherever tried, and with increasing approval the longer it is tried. It is a reform espe-

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cially in keeping with democratic institutions, and it has succeeded best in democratic countries. So perfectly is it in keeping with true democracy, that the purer and more complete, the more cultured, the democratic countries have become in which this reform has been tried, the more they are inclined to move farther along the same line. It is entirely compatible with the fundamental principles of the existing social order, and does not interfere with its normal and peaceful evolution. It antagonizes no other line of progress, but helps forward every other true reform. It provides ample public funds when accompanied by a rational system of taxation, and yet lays a burden heavy to be borne on no one.

We may examine this reform of the laws of inheritance with respect to the family, and we find that it tends to the development of the family as an institution far better than the existing laws in the United States. It recognizes the solidarity of the family. The husband is responsible to the wife, and the wife to the husband, and both are responsible for the children which they have brought into the world. It coördinates rights and duties. It may be stated, however, in this connection, that duty should be extended among the various members of a family, in particular the reciprocal duties of parents and children should be sharpened and strengthened. The duty of support—and adequate support in proportion to means—should apply both to parents and to children,

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parents supporting the children in their youth, and children the parents in their old age. The various members of the family organism should be drawn together by an extension of duties. It may be questioned whether any one should have the right to inherit from a person, provided he may not under any circumstances be called upon to minister to his support. As Emerson and the other great thinkers have long been saying, it is time now to stop talking so much about rights and to begin to emphasize duties.

If we look at this reform from the standpoint of society, we find that it stands every test to which it can be subjected. It diffuses property widely, and results in a great number of families with an ample competence, and tends to prevent the growth of plutocracy. So conservative a jurist as Mr. Justice Brewer of the United States Supreme Court expressed himself as follows to Mr. Benjamin F. Dos Passos, author of "The Law of Collateral and Direct Inheritance, Legacy and Succession Taxes": "I was not aware until such examination of the extent to which in this country the matter of taxation on successions has advanced. I have often urged that as one of the most just taxes, and if it were graduated in proportion to the amount of property passing, I think it would be most beneficial. It would tend largely to prevent the accumulation of property in a family line, and to work that distribution which is for the interest

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of all.”<sup>1</sup> It is these families, with a competence lifting them above a severe struggle for bare physical necessities, which carry forward the world’s civilizations. It is from these families that the great leaders of men come, and not from either of the two extremes of society, the very rich or the very poor. Excessive wealth discourages exertion, but a suitable reform of the laws of inheritance will remove from us many idle persons who consume annually immense quantities of wealth, but contribute nothing to the support of the race, and who, leading idle lives, cultivate bad ideals and disseminate social poison. For the sake of the sons of the rich, as well as for the sake of the sons of the poor, we need a reform of the laws of inheritance.

A reform of the laws of inheritance of property will help us to approach that ideal condition in which the man that does not work shall not eat, and it will also tend to the equalization of opportunities so as to give all a fairer start in life, allowing each one to make such use of his opportunities as his capacity and diligence permit, and thus rendering inequalities, economic and social, less odious and injurious, more stimulating and helpful. This reform tends to make income a reward for service, thus realizing in a higher degree than at present the demands of justice. It must tend indirectly to discourage idleness and to encourage industry, and

<sup>1</sup> Quoted on page 65 of Second Biennial Report of the Wisconsin State Tax Commission, Madison, Wisconsin, 1903.



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to repress that gambling, speculative spirit which desires something for nothing, and wants to get a living without rendering an honest return of some kind.

### LITERATURE

ADAMS, HENRY C., *The Science of Finance*. New York, 1898.

Professor Adams treats inherited property as "income of property" as distinguished from "income from property," or income from service. He places the tax under the head of taxes on income. While the present writer has in earlier writings treated inherited property as income, it seems to him, as stated in this chapter, that a distinction must be made, and that while in some cases it must be so looked upon, in other cases such a view is not tenable.

DOS PASSOS, BENJ. F., *The Law of Collateral and Direct Inheritance, Legacy and Succession Taxation*. St. Paul, 1895. A law book by a strong adherent of taxation of inheritances.

GILSON, NORMAN S., CURTIS, GEORGE, JR., HAUGEN, NILS P., Commissioners, Wisconsin State Tax Commission, *Second Biennial Report*. Madison, 1903. Ch. IV. Many tax commissions have treated the subject of inheritance taxation, but probably it has never been treated by an American tax commission more thoughtfully than in this report.

MILL, JOHN STUART, *Political Economy*. London, 1876. Bk. II, Ch. II. Everything which Mill writes is worth reading, and in his day his treatment of inheritance of property was a valuable contribution to the subject. Mill makes, however, a distinction between testate and intestate inheritance which is radically unsound, and which has not been followed by subsequent writers.

SELIGMAN, E. R. A., *Essays in Taxation*. New York, 1895. Ch. V. Professor Seligman's treatment of financial topics is always worthy of attention.

THOMAS, EDWARD A., *About Wills and Testaments*. The Forum, September, 1886. A popular and suggestive

# THE INHERITANCE OF PROPERTY

treatment by one who has held a judicial position, and who advocates a far-reaching regulation with corresponding restriction of the power to make a will and testament.

WEST, MAX, *The Inheritance Tax*. In Columbia University Studies. New York, 1893. This is a valuable monographic treatment of the subject.

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## APPENDIX A

### A BILL

FOR A TAX ON GIFTS, INHERITANCES, BEQUESTS, LEGACIES, DEVICES, AND SUCCESSION IN CERTAIN CASES.

[Prepared by the Wisconsin Tax Commission, Senate Bill 331, S. 1903.<sup>1</sup>]

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The people of the State of Wisconsin, represented in senate and assembly, do enact as follows :

SECTION 1. A tax shall be and is hereby imposed upon any transfer of any property, real, personal or mixed, or any interest therein, or income therefrom in trust or otherwise, to any person, association, or corporation, except corporations of this state organized under its laws solely for religious, charitable or educational purposes, which shall use the property so transferred exclusively for the purposes of their organization within the state in the following cases :

*First.* When the transfer is by will or by the intestate laws of this state from any person dying possessed of the property while a resident of the state.

*Second.* When a transfer is by will or intestate law, of property within the state or within its jurisdiction and the decedent was a non-resident of the state at the time of his death.

*Third.* When the transfer is of property made by a resident or by a non-resident when such non-resident's property

<sup>1</sup> The provisions relating to amount and rates of the taxation proposed are given. The administrative and local features of the bill are omitted.

## EVOLUTION OF INDUSTRIAL SOCIETY

is within this state, or within its jurisdiction, by deed, grant, bargain, sale or gift, made in contemplation of the death of the grantor, vendor or donor, or intended to take effect in possession or enjoyment at or after such death.

*Fourth.* Such tax shall be imposed when any such person or corporation becomes beneficially entitled, in possession or expectancy to any property or the income thereof, by any such transfer whether made before or after the passage of this act, provided that property or estates which have vested in such persons or corporations before this act takes effect shall not be subject to the tax.

*Fifth.* Whenever any person or corporation shall exercise a power of appointment derived from any disposition of property made either before or after the passage of this act, such appointment when made shall be deemed a transfer taxable under the provisions of this act in the same manner as though the property to which such appointment relates belonged absolutely to the donee of such power and had been bequeathed or devised by such donee by will; and whenever any person or corporation possessing such a power of appointment so derived shall omit or fail to exercise the same within the time provided therefor, in whole or in part, a transfer taxable under the provisions of this act shall be deemed to take place to the extent of such omission or failure, in the same manner as though the persons or corporations thereby becoming entitled to the possession or enjoyment of the property to which such power related had succeeded thereto by a will of the donee of the power failing to exercise such power, taking effect at the time of such omission or failure.

*Sixth.* The tax so imposed shall be upon the clear market value of such property at the rates hereinafter prescribed and only upon the excess of the exemptions hereinafter granted.

SECTION 2. When the property or any beneficial interest therein passes by any such transfer where the amount of the property shall exceed in value the exemption hereinafter specified, and shall not exceed in value twenty-five thousand dollars the tax hereby imposed shall be:

# THE INHERITANCE OF PROPERTY

*First.* Where the person or persons entitled to any beneficial interest in such property shall be the husband, wife, lineal issue, lineal ancestor of the decedent or any child adopted as such in conformity with the laws of this state, or any child to whom such decedent for not less than ten years prior to such transfer stood in the mutually acknowledged relation of a parent, provided, however, such relationship began at or before the child's fifteenth birthday, and was continuous for said ten years thereafter, or any lineal issue of such adopted or mutually acknowledged child, at the rate of one per centum of the clear value of such interest in such property.

*Second.* Where the person or persons entitled to any beneficial interest in such property shall be the brother or sister or a descendant of a brother or sister of the decedent, a wife or widow of a son, or the husband of a daughter of the decedent, at the rate of one and one-half per centum of the clear value of such interest in such property.

*Third.* Where the person or persons entitled to any beneficial interest in such property shall be the brother or sister of the father or mother or a descendant of a brother or sister of the father or mother of the decedent, at the rate of three per centum of the clear value of such interest in such property.

*Fourth.* Where the person or persons entitled to any beneficial interest in such property shall be the brother or sister of the grandfather or grandmother or a descendant of the brother or sister of the grandfather or grandmother of the decedent, at the rate of four per centum of the clear value of such interest in such property.

*Fifth.* Where the person or persons entitled to any beneficial interest in such property shall be in any other degree of collateral consanguinity than is hereinbefore stated, or shall be a stranger in blood to the decedent, or shall be a body politic or corporate, at the rate of five per centum of the clear value of such interest in such property.

SECTION 3. The foregoing rates in section two are for convenience termed the primary rates.

## EVOLUTION OF INDUSTRIAL SOCIETY

When the amount of the clear value of such property or interest exceeds twenty-five thousand dollars, the rates of tax upon such excess shall be as follows :

(1) Upon all in excess of twenty-five thousand dollars and up to fifty thousand dollars one and one-half times the primary rates.

(2) Upon all in excess of fifty thousand dollars and up to one hundred thousand dollars, two times the primary rates.

(3) Upon all in excess of one hundred thousand dollars and up to five hundred thousand dollars, two and one-half times the primary rates.

(4) Upon all in excess of five hundred thousand dollars, three times the primary rates.

SECTION 4. The following exemptions from the tax are hereby allowed :

(1) All property transferred to corporations of this state organized under its laws solely for religious, charitable or educational purposes, which shall use the property so transferred exclusively for the purposes of their organization within the state shall be exempt.

(2) Property of the clear value of ten thousand dollars transferred to the widow of the decedent, and two thousand dollars transferred to each of the other persons described in the first subdivision of section two shall be exempt.

(3) Property of the clear value of five hundred dollars transferred to each of the persons described in the second subdivision of section two shall be exempt.

(4) Property of the clear value of two hundred and fifty dollars transferred to each of the persons described in the third subdivision of section two shall be exempt.

(5) Property of the clear value of one hundred and fifty dollars transferred to each of the persons described in the fourth subdivision of section two shall be exempt.

(6) Property of the clear value of one hundred dollars transferred to each of the persons and corporations described in the fifth subdivision of section two shall be exempt.

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## APPENDIX B

RATES, EXEMPTIONS, AND CLASSIFICATIONS OF PERSONS AND AMOUNTS OF PROPERTY IN PROPOSED BILL  
FOR INHERITANCE TAX. WISCONSIN, 1903

		CLASSIFICATION OF PROPERTY BY AMOUNTS WITH PRIMARY AND PROGRESSIVE RATES OF TAX				
		1st Class	2d Class	3d Class	4th Class	5th Class
NUMBER OF PERSONAL CLASS	THE PERSONS FALLING IN EACH CLASSIFICATION	On excess after deduction of exemption from \$25,000	\$25,000 to 50,000	\$50,000 to 100,000	\$100,000 to 500,000	Excess over \$500,000
		Primary Rate	Multiply primary rate by $1\frac{1}{2}$	Multiply primary rate by 2	Multiply primary rate by $2\frac{1}{2}$	Multiply primary rate by 3
		Per cent	Per cent	Per cent	Per cent	Per cent
		1	1.5	2	2.5	3
		1.5	2.25	3	3.75	4.5
1	Husband, wife, lineal issue, lineal ancestor, adopted or mutually acknowledged children	3	4.5	6	7.5	9
2	Brothers, sisters, and descendants. Wife or widow of a son, hus- band of a daughter.	4	6	8	10	12
3	Uncles, aunts, and descendants.	5	7.5	10	12.5	15
4	Great uncles, great aunts, and descendants					
5	Persons in other degrees of col- lateral consanguinity and cor- porations not exempt					

## APPENDIX C

INHERITANCE TAXES<sup>1</sup>

## RATES AND EXEMPTIONS PRESCRIBED BY INHERITANCE TAX LAWS IN THE UNITED STATES

STATES	FOR COLLATERAL HEIRS				FOR DIRECT HEIRS, TWELVE STATES			
	Rate per cent	Exemption	Date of Law	Chapter	Rate per cent	Exemption	Date of Law	Chapter
Arkansas . . .	5		1901	156				
California . . .	5	\$ 500	1893	168				
Colorado . . .	3-6	500	1901	94	2	\$ 5,000	1901	94
Connecticut . .	3 <sup>2</sup>	10,000	{ 1889	{ 180	$\frac{1}{2}$	10,000	1897	201
Delaware . . .	5	500	1869	390				
Illinois . . .	2-6	{ 2,000	1895	p. 301	1	20,000	1895	p. 301
Iowa . . .	5	500	1896	28				
Maine . . .	4	1,000	{ 1893	{ 146				
Maryland . . .	2 $\frac{1}{2}$	500	1901	225				
Massachusetts .	5	500	1844-45	237				
Michigan . . .	5	500	1891	425				
Minnesota <sup>3</sup> . .	5 <sup>4</sup>	500	1899	188				
Missouri . . .	5	5,000	1901	255	1 <sup>4</sup>	5,000	1899	188
Montana . . .	5		1899	p. 328	1 <sup>4</sup>	10,000	1901	255
Nebraska . . .	2-6	500	1897	p. 83	1 <sup>4</sup>	7,500	1897	p. 83
New Jersey . .	5	500	1901	54	1	10,000	1901	54
			{ 1892	{ 122				
			1894	210				

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New York <sup>8</sup>	5	500	1885	483	1 <sup>4</sup>	10,000	1891	215	State
North Carolina <sup>9</sup>	1½-15 <sup>4,5</sup>	2,000	{ 1846 <sup>5</sup> 1901	{ 72 9	¾-2¼ <sup>4</sup>	2,000	1901	9	State
Ohio . . .	5 <sup>6</sup>	200	1893	p. 193					75% State
Pennsylvania .	5	250	{ 1826 1887	{ 72 p. 79					State
Tennessee . .	5	250	{ 1891 1893	{ 25 174					State
Utah . . .	5	10,000	1901	62	5	10,000	1901	62	State
Vermont . . .	5	2,000	1896	46					State
Virginia . . .	5		{ 1844 1896	{ 1 334					
Washington .	3-12		1901	55	1	10,000	1901	55	State
West Virginia .	2½	1,000	1887	31					State
Wisconsin <sup>9</sup> .	5 <sup>4</sup>	10,000	{ 1899 1901	{ 355 245	1 <sup>4</sup>	10,000	{ 1899 1901	{ 355 245	85% State
United States <sup>7</sup>	1½-15 <sup>4</sup>	10,000	1898	448	¾-2¼ <sup>4</sup>	10,000	1898	{ Sec. 29 Ch. 448	United States

<sup>1</sup> Prepared by the Wisconsin Tax Commission.

<sup>2</sup> 5 % until 1897.

<sup>3</sup> Ch. 297, Act 1901. Repeals exemption of \$10,000.

<sup>4</sup> On personal property only.

<sup>5</sup> From 1897 to 1899, 1½ % for collateral, and ¾ of 1 % for direct heirs.

<sup>6</sup> Until 1894, 3½ %, with an exemption of \$10,000.

<sup>7</sup> Repealed in 1902.

<sup>8</sup> Later New York Acts : Ch. 908, 1896 ; Ch. 284, 1897 ; Ch. 88, 1898 ; Ch. 289, 1898 ; Ch. 76, 1899 ; Ch. 672, 1899 ; Ch. 173, 1901 ; Ch. 458, 1901 ; Ch. 493, 1901 ; Ch. 101, 1902.

<sup>9</sup> This table contains the following errors: The Minnesota tax applies to both personalty and realty, with a uniform exemption of \$5,000 in case of both collateral and direct heirs. The North Carolina progressive tax does not apply to direct heirs. In Wisconsin, the law of 1901 having been declared unconstitutional, a new law, practically as framed by the tax commission, has been passed in 1903.



# APPENDIX E

## PROGRESSIVE INHERITANCE TAXES IN FOREIGN COUNTRIES<sup>1</sup>

### QUEBEC

(TYPICAL OF CANADIAN TAXES)

On the Total Value of the Estate after deducting Debts

1. In the direct line, between consorts, and in a few other cases

If estate exceeds \$3,000 and does not exceed \$5,000,		
on the excess over \$3,000	. . .	1½%
\$5,000 to 10,000	. . .	1
10,000 to 50,000	. . .	1¼
50,000 to 100,000	. . .	1½
100,000 to 200,000	. . .	2
over 200,000	. . .	3

2. In the Collateral Line

If property devolves to —

(a) Brother, sister, or their descendants	. . .	3%
(b) Uncle, aunt, or their descendants	. . .	5
(c) Brother or sister of grandparents	. . .	6
(d) Any other collateral	. . .	8
(e) Stranger	. . .	10

### WESTERN AUSTRALIA

(TYPICAL OF AUSTRALIAN TAXES)

On Estates after deducting Debts

If value exceeds £1,500 and does not exceed £2,500, on the excess over £1,500		
£2,500 to £5,000	. . .	1%
5,000 to 10,000	. . .	2
10,000 to 20,000	. . .	3
20,000 to 30,000	. . .	4
30,000 to 40,000	. . .	5
40,000 to 60,000	. . .	6
60,000 to 80,000	. . .	7
80,000 to 100,000	. . .	8
above 100,000	. . .	9
		10

Parent, issue, husband, wife, and issue of husband or wife pay ½ of above rates.

on whole estate without any property exemption

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## ENGLISH ESTATE DUTY<sup>2</sup> \*

If principal value of estate exceeds £100 and does not exceed £500 net. . . . . 1%

£500 to £1,000 . . . . .	2
1,000 to 10,000 . . . . .	3
10,000 to 25,000 . . . . .	4
25,000 to 50,000 . . . . .	4½
50,000 to 75,000 . . . . .	5
75,000 to 100,000 . . . . .	5½
100,000 to 150,000 . . . . .	6
150,000 to 250,000 . . . . .	6½
250,000 to 500,000 . . . . .	7
500,000 to 1,000,000 . . . . .	7½
over 1,000,000 . . . . .	8

## LUCERNE (TYPICAL OF SWISS PROGRESSIVE TAXES)

On Shares of 10,000 Francs

(a) First degree of relationship . . . . .	1%
(b) Second degree of relationship . . . . .	5
(c) Third and fourth degrees of relationship . . . . .	15
(d) Strangers in blood . . . . .	20

On Excess over 10,000 Francs

From 10,001 fr. to 20,000 fr. above rates increase by	$\frac{1}{10}$
" 20,001 to 30,000 above rates increase by	$\frac{2}{10}$
" 30,001 to 40,000 above rates increase by	$\frac{3}{10}$
" 40,001 to 50,000 above rates increase by	$\frac{4}{10}$
" 50,001 to 100,000 above rates increase by	$\frac{5}{10}$
" 100,001 to 200,000 above rates increase by	$\frac{6}{10}$
" 200,001 to 300,000 above rates increase by	$\frac{7}{10}$
" 300,001 to 400,000 above rates increase by	$\frac{8}{10}$
" 400,001 to 500,000 above rates increase by	$\frac{9}{10}$
over 500,000 above rates increase by	$\frac{10}{10}$

<sup>1</sup> Prepared by Mr. Solomon Huebner, Graduate Scholar in the University of Wisconsin.

<sup>2</sup> The estate duty is supplemented by legacy and succession duties as shown in Appendix D.

# EVOLUTION OF INDUSTRIAL SOCIETY

## FRENCH INHERITANCE TAX

(LAW OF FEBRUARY 25, 1901)

INDICATION OF RELATIONSHIP	RATES APPLICABLE TO THE FRACTIONAL PART (NET) COMPRISED BETWEEN							
	1 fr. to 2,000 frs.	2,001 frs. to 10,000 frs.	10,001 frs. to 50,000 frs.	50,001 frs. to 100,000 frs.	100,001 frs. to 250,000 frs.	250,001 frs. to 500,000 frs.	500,001 frs. to 1,000,000 frs.	Over 1,000,000 frs.
	% 1. 3.75 8.50  10  12 14 15	% 1.25 4 9  10.50  12.50 14.50 15.50	% 1.50 4.50 9.50  11  13 15 16	% 1.75 5 10  11.50  13.50 15.50 16.50	% 2 5.50 10.50  12  14 16 17	% 2.50 6 11  12.50  14.50 16.50 17.50	% 2.50 6.50 11.50  13  15 17 18	% 2.50 7 12  13.50  15.50 17.50 18.50
1. Direct line . . . . .								
2. Between husband and wife .								
3. Between brothers and sisters								
4. Between uncles and aunts								
and nephews and nieces .								
5. Between grand uncles or								
grand aunts, grand neph-								
ews or grand nieces, and								
between cousins german.								
6. Between relations of the 5th								
and 6th degrees . . . .								
7. Between relatives beyond								
the 6th degree, and be-								
tween persons not related								

## CHAPTER VIII

### THE EVOLUTION OF PUBLIC EXPENDITURES

AN older view than that which prevails at the present time looked upon public expenditures as not merely something unproductive, but as something extraneous to the economic life of the people. We now look upon federal government, state and city, as agencies through which we coöperate for the accomplishment of common purposes. These purposes are either directly industrial in character, or they have industrial consequences. We must, then, in our studies in the evolution of industrial society give brief attention to the growth and character of public expenditures. An examination of the nature of public expenditures is essential to a comprehension of important aspects of the life of industrial society.

When we examine even cursorily the history of public expenditures, we are impressed by their enormous growth and their magnitude in present times. Our statistical knowledge is for many purposes inadequate, but in this case the movement has been so strong and so pronounced throughout the civilized world that we can take our illustrative material almost at haphazard. A very few figures

## EVOLUTION OF INDUSTRIAL SOCIETY

tell the story, and we require no elaborate statistical exhibit. We will confine ourselves to modern nations. The ordinary expenditures of England in the twelfth and thirteenth centuries amounted to less than £100,000 sterling. Stubbs tells us that in the thirteenth century a popular king could raise something under £200,000 by pressure and by using all possible sources of revenue at the same time. The financial character of the state at that time resembled, in many particulars, the financial character of a great private estate, and the expenditures of England were less than those of some private households at the present time. The expenditures of France in the thirteenth century were also relatively a very small matter, amounting to a little over 3,500,000 francs about the middle of the century. England's expenditures in 1688, at the time of the accession of William and Mary, amounted to £1,500,000 sterling. This is about the beginning of modern finance. In 1815 the expenditures of England amounted to £55,000,000 sterling. Macaulay points out that, while England's population trebled between 1685 and 1841, the expenditures increased forty times. In 1828 the budget of France showed for the first time expenditures amounting to 1,000,000,000 francs. General alarm was expressed and grave apprehension for the future was felt by many. Since that time no budget has called for a smaller expenditure, and in 1860 the French budget showed expenditures of 2,000,000,000 francs for the first time, the years of war alone excepted. Since then

## EVOLUTION OF PUBLIC EXPENDITURES

the annual expenditures of France have never been less, and about thirty years later the budget reached 3,000,000,000 francs. Now, when we include local expenditures, the annual expenditures of France are far beyond 4,000,000,000 francs.

The expenditures of Great Britain have gone on increasing in the meantime. When the national budget exhibited expenditures, for the first time, in 1896, of £100,000,000 sterling, many Englishmen expressed grave apprehension. The South African War, however, has carried the expenditures far beyond that amount. In 1899 they amounted to £108,000,000, and in 1901 they reached the enormous aggregate of nearly £184,000,000. These expenditures must be regarded as abnormal, and as due to war—a part of the price paid for imperialism in South Africa—but it may be doubted whether the English budget ever again touches £100,000,000 sterling as a low-water mark. A few years ago American newspapers had much to say about a billion dollar Congress, the appropriations of the federal government reaching that amount in the years 1889–1891. The Congress just adjourned (the Fifty-Seventh) has expended over \$1,500,000,000, and the preceding Congress expended very nearly that sum. While we do not venture to enter into the region of prophecy, an examination of the growth of public expenditures during the past century and the laws which seem to underlie this growth gives us some reason to doubt whether we shall ever again see a Congress appro-

## EVOLUTION OF INDUSTRIAL SOCIETY

priating so small a sum as \$1,000,000,000, that is to say, \$500,000,000 a year. Clearly we have reached a period in which, simply on account of their magnitude, the public expenditures must exercise an influence upon industrial life, for it must be remembered that we have, in addition to national expenditures, those of the intermediate and local governments, by whatever name these may be called in various countries. When Mr. William H. Vanderbilt left a fortune of \$200,000,000 that was considered as something of national import; but the biennial expenditures of the federal government are more than seven times as great. The operations of the federal government alone are so vast that if for a short time money flows into the treasury and accumulates there, it produces a disturbance in the money market, while the effect of paying out money in large sums has marked influence also. Care must be taken by a great national government, even in paying its debts, in order to avoid unfortunate industrial disturbances; it may be even an undue industrial expansion with a reaction later. Roughly speaking, a great modern nation may altogether expend something like 10 per cent of the total social income. This means, among other things, the employment of a large force, and the conditions under which those who are employed by the government work must affect private employment. The present opposition of the manufacturers of the country to an extension of the eight-hour day from those who are employed directly by the federal gov-

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ernment to those who are employed indirectly, that is to say, those who are employed by contractors for the government, shows how keenly our employers realize the industrial relation which exists between public expenditures and private employment.

When we turn from national expenditures to those of local political units, we find quite as marked a growth. Cities like Berlin and New York have budgets which have grown as rapidly as those of any modern nation. The appropriations of New York City, less the state tax, rose from \$1,832,462 in 1844 to \$44,035,187 in 1897.<sup>1</sup> New York City affords an example of poor government, but Berlin is sometimes called the best administered great city in the world. The expenditures of that city during the thirty years, 1861 to 1891, taking only the excess of expenditures over receipts from services rendered, increased from a little over 6,000,000 marks to nearly 46,000,000 marks, while the population increased from 547,000 to a little over 1,500,000. A good part of this entire book might be taken up with figures showing a similar growth.

The question is, What does this mean? We must have an answer to this question in order to understand why it is that the growth of public expenditures has not brought such dire evils as those which have been anticipated. Perhaps we cannot do better than to introduce an examination of the nature of this in-

<sup>1</sup> *Vide* Durand's "The Finances of New York City," pp. 372-373, in the table, "Budget, Taxes, and Special Assessments from 1830 to 1897."



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crease by a quotation of Professor Adolph Wagner's "Law of Increasing Public Expenditures":—

*"Comparisons between different countries and different periods show regularly among progressive nations an extension of public activities. This manifests itself extensively and intensively. The state and its subordinate political units continually undertake new functions, and they perform their duties, old and new, better and better. In this way, that is, through public agency, the needs of the population to an increasing extent, especially their common needs, are satisfied; and the public services for the satisfaction of needs continually improve in quality. The clear proof of this is given statistically in the increased demands made by the state and the subordinate political units."*<sup>1</sup>

We have here described what is a part of a still larger movement, namely, the socialization of production and the socialization of consumption. It is, however, the socialization of consumption which especially confronts us in public expenditures. To an increasing extent what is consumed by the family is produced outside the family. There has been going forward a great process of socialization, and this finds expression in part in public expenditures. An increasing proportion of the needs of the family are satisfied, not by the private economy, but by the public economy, and satisfied also, as Professor Wagner points out, not in accordance with the principles

<sup>1</sup> Wagner, "Allgemeine Volkswirtschaftslehre," Erster Theil, Grundlegung, Kap. 4, 3 Hauptabsch., S. 310, Bd. I, 2te A.

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of private economy, which is service for service, but in accordance with the principles of public economy, which is a general return for that which is received. We have to do with what we may also call socialization of supply. We do not protect ourselves against physical violence, but are protected by the state. We do not educate our own children; they are educated by public agency. The public expenditures are also made to promote art and all the higher interests of life. The services which the federal government renders us in the post-office find expression in public expenditures. Public expenditures are giving us more beautiful and more healthful cities, and are satisfying the needs which arise out of the extensive growth of the country, in its expansion geographically and in the size of the population, and also the needs which arise from an intensive growth.

It is instructive to consider the historical order in which the objects of public expenditure appear. This order throws a strong light upon the evolution of industrial society, and of civilization in general. This is an almost unworked field of investigation, but it is an extremely interesting and important one. This order can be presented here only in the most general terms, and in these terms it is somewhat as follows: expenditures for (1) external security; (2) security within the community; (3) promotion of material interests; (4) benevolence (transferred in part from the church at the time of the Reformation); (5) education in its various phases; (6) labor. In a general way the organization of the departments

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of the federal government corresponds with this order. In 1789 the Treasury, War, and State Departments were organized, also the Department of Justice, Supreme Court, and the Navy Department; the Post-office Department was organized as a distinct department in 1829; the Department of the Interior was organized in 1849; the Department of Labor as a separate department (without representation in the Cabinet) in 1888; the Department of Agriculture as a separate department (with representation in the Cabinet) in 1889; the Department of Commerce and Labor (with representation in the Cabinet) in 1903. The modern nation has been spending an increasing proportion of its resources for education. We use nation in the general sense here, including all the subdivisions of the nation. We find a rapidly increasing item in the budget of the modern municipality for public libraries, in which line of expenditure the United States is leading the world. Lately in the modern budget we find expenditures which are distinctively for the promotion of the interests of labor.

We must, however, analyze the public expenditures of the various departments more carefully to understand fully the order of development in the objects of public expenditures. The whole expenditure of the Department of Agriculture is an expenditure to promote material well-being, and this has become one of the great departments in modern government. The Department of the Interior is also largely concerned with expendi-

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tures to promote the general welfare. We have in the Department of Agriculture such items as forestry, food adulteration, botany, and seed tests, pomology, entomology, agricultural soils, irrigation investigations, road inquiry.

It is possible to lay down no limit to the increase of public expenditures, because the causes are so multiform, and because also it is a natural outcome of increasing general socialization. Increased density of population and increased knowledge add to our public expenditures. Disease serves as an illustration. This becomes more and more a social matter, and is fought more and more by what is called public medicine.

We cannot lay down any hard and fast line between public and private expenditures, because there is a perpetual shifting from the satisfaction of wants privately to the satisfaction of wants publicly, and sometimes even, though less frequently, the reverse process. The railways of Prussia were once private, and their receipts and expenditures had little to do with the Prussian budget. Now the receipts are public receipts, and their expenditures are public expenditures. The addition to the budget, however, means necessarily no additional burden resting on the people. Indeed, if the people are well served and served for a lower price than formerly, with less relative cost of operation, the burdens of the people have been lightened, and this is what is generally claimed in Prussia. Let us take the case of a city in which

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watering the streets is a private matter paid for by private subscription. The expenditure becomes a public expenditure when the city takes upon itself this function, but if the public expenditure is no greater than the private expenditure, there is no additional burden. If the service is better performed, and the total burden more fairly distributed by taxation than by private subscription — as sometimes at least happens — there is a positive gain. The increased density of population has been mentioned as a cause of increased public expenditures. A suburb, without any municipal organization, may maintain electric lights in the streets by private subscription. The expenditure appears in no public budget. This suburb secures some kind of a municipal organization, and that which was a private expenditure becomes a public expenditure. Again, however, there is no increased burden resting upon the people; their wants are satisfied through a different channel.

When we compare modern times with ancient times, we find that an increasing proportion of the public expenditures are incurred for objects which directly benefit the people, and relatively a decreasing amount for objects in which they have comparatively little concern. This finds most striking exemplification in a comparison of the budget of France in 1789<sup>1</sup> with the budget of 1894, which we take simply as a typical modern budget:

<sup>1</sup> Necker's "Budget," May, 1789, rearranged by the writer in "Dictionnaire des Finances" in order to make it better understood.

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EXPENSES.	LIVRES. <sup>1</sup>
Cost of collection and reimbursements (does not include cost of collecting taxes farmed out) . . . . .	31,478,000
Consolidated debt, — included portion made up of annuities . . . . .	162,486,000
Interest, etc., on remaining portion of debt . . . . .	80,527,000
Pensions . . . . .	29,560,000
Royal family and princes . . . . .	33,240,000
<b>TOTAL</b>	<b>337,291,000</b>

“ This formed the total deduction before provision could be made for general service of the government,” in which we have the following items : —

	LIVRES.
War . . . . .	100,548,000
Marine and colonies . . . . .	40,900,000
Foreign Affairs . . . . .	7,480,000
Justice . . . . .	6,353,000
Interior . . . . .	8,249,000
Financial Administration . . . . .	5,801,000
Public Works, Agriculture, and Commerce . . . . .	11,907,000
Public Instruction and Fine Arts . . . . .	1,227,000
Public Worship (“ Cultes ”) . . . . .	2,188,000
<b>TOTAL</b>	<b>184,653,000</b>
	<b>337,291,000</b>
<b>GRAND TOTAL</b>	<b>521,944,000</b>

<sup>1</sup> A livre is slightly less than a franc, — say 2 per cent.

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FRANCE, EXPENDITURES, 1894 (HOFKALENDAR, 1895)

	FRANCS
Public debt . . . . .	1,284,568,168
President, salary and allowances . .	1,200,000
Legislative bodies . . . . .	11,971,720
Department of Finance . . . . .	19,470,860
Department of Justice . . . . .	35,011,100
Department of Foreign Affairs . . .	16,343,800
Department of Interior . . . . .	71,384,430 <sup>1</sup>
Department of War . . . . .	633,653,091
Department of Navy . . . . .	266,861,528
Department of Public Instruction, Fine Arts, and Public Worship ("Cultes") .	242,794,240 <sup>2</sup>
Department of Commerce, Industry, and Colonies . . . . .	99,585,334
Department of Agriculture . . . . .	28,963,140
Department of Public Works . . . .	256,627,464
Cost of collection and management of industries . . . . .	358,334,719
Reimbursements and restitutions <sup>3</sup> . .	42,132,500
<b>TOTAL</b>	<b>3,368,902,094</b>

It will be observed, in comparing these two budgets, that the French court consumed a very

<sup>1</sup> Including prisons, 17,663,878; benevolence, 7,372,000.

<sup>2</sup> The items: —

Public Instruction . . . . .	190,451,055
Public Worship ("Cultes") . . . .	44,224,040
Fine Arts . . . . .	8,119,145

In 1885 the corresponding items were: —

Public Instruction . . . . .	131,993,455
Fine Arts . . . . .	13,815,055
Public Worship ("Cultes") . . . .	46,348,763

<sup>3</sup> *Remboursements et restitutions.*

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large proportion of the expenditures of 1789; and that of what remained a very large proportion was consumed by the public debt, the army and navy; and that for education and the promotion of general welfare the expenditure was relatively insignificant. A study of this table reveals one of the reasons why it is that France is able to endure so large a public expenditure. Wants are thereby satisfied, and what is expended returns to the people in services.

Sometimes fear is expressed lest there should be an encroachment of public industry upon private industry, and this fear seems to find support in Wagner's treatment of the subject, when he says that there is a relative increase in public expenditures. An examination of the budgets and a comparison of the increase in public expenditures with increased resources does not seem to show that the fear which has just been mentioned is supported by the facts in the case. It is impossible to give the statistics in the limits of the present chapter. The statistics, however, appear to show that private expenditures have in recent years increased as rapidly as public expenditures, and that the proper balance has not necessarily been disturbed. Sometimes fear has also been expressed lest the central governments should expand at the expense of the local governments. It is thought by some that we are living in a period of centralization. The statistics of public expenditures do not bear this out, as local public expenditures seem to be increasing



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more rapidly than those of central governments. There may be some ground to apprehend that in the United States the cities and federal government are increasing in importance more rapidly than our commonwealths. The states which make up the Union have lost somewhat in relative significance, if we may judge from the comparison of public expenditures of the various political units.<sup>1</sup> There appears to be, however, some ground for thinking that the states are again becoming of greater importance in our general structure of government. We find, for example, that the expenditures of the state of New York have increased from not quite \$10,000,000 in 1881 to nearly \$22,000,000 in 1902. This is a budget which would seem to indicate activity, although, to be sure, far less than the budget of New York City. Our Western states are developing remarkable educational systems, reaching from the common school to the university, and some of our states are developing forest property, and a department of forestry. These are, perhaps, ample illustrations of the growing significance of the state. But we must await future developments in order to ascertain the extent of the movement.

The view here presented of public expenditures is undoubtedly one which is reassuring. The im-

<sup>1</sup> It must be borne in mind that expenditures alone are not sufficient evidence to enable us to speak positively on this point. In general, however, there is a correspondence between the amount of public money expended by a political unit and its social significance.

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pression must not be gathered from this that there is no need for care and watchfulness. As public expenditures increase it becomes of more and more importance to secure wise and prudent administration of all our resources. Wastefulness becomes more serious than ever before, and the benefits from excellence in administration increase correspondingly. Without pronouncing any opinion upon what is called imperialism, we may also say that the enormous increase in expenditures, in one way and another connected with war, which we have seen during the past few years, cannot be viewed without some misgiving. Even the most optimistic Englishman cannot regard with complacency a national administration approaching in its expenditures £200,000,000 sterling. Even if there is no danger of the bankruptcy of any great modern nation, the thought must at least occur to one that it is a pity that, with so many public needs unsatisfied, with such large possibilities in the way of improvement of education and our general environment, such enormous and almost incomprehensible aggregates of wealth should be annually expended for warlike purposes.

### LITERATURE

English and American economists have generally treated the subject in a more or less perfunctory manner, not appreciating its significance. It has recently received somewhat fuller treatment by authors of treatises on finance.

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The German economists have given more attention to this subject, and two of them have treated it in a specially instructive way. These are Professor Gustav Cohn and Professor Adolf Wagner, in those volumes of their general economic treatises called "Finanzwissenschaft."

COHN, GUSTAV, *The Science of Finance*. Translated by T. B. Veblen. Chicago, 1895. Bk. I, *The Public Economy*; see especially Ch. VI, *Order and Sequence in the Public Economy*. Part I discusses the Classification of Public Wants, and has some helpful observations on the relations between public and private expenditures.

WAGNER, ADOLF, *Finanzwissenschaft*. Erster Theil, 3te Aufl. Leipzig, 1883. 2tes Buch, *Der Finanzbedarf*.

Among American writers, especial mention may be made of the following :—

- ADAMS, HENRY C., *The Science of Finance*. New York, 1898.
- BULLOCK, C. J., *The Growth of Federal Expenditures*, *Political Science Quarterly*, March, 1903 (Vol. XVIII), A severely critical examination of American federal expenditures.
- DANIELS, W. M., *The Elements of Public Finance, including the Monetary System of the United States*. New York, 1899.
- DEWEY, DAVIS R., *Financial History of the United States*. New York, 1903. This excellent work deals with the expenditures of the United States government as well as with other features of our financial history.
- PLEHN, CARL C., *Introduction to Public Finance*. 2d ed. New York, 1900.

## CHAPTER IX

### UNITED STATES INDUSTRIAL COMMISSION'S REPORT ON LABOR

ALTHOUGH much has been said and written about the progress which has been made in American economics in recent years, we are still more likely to underestimate than to overestimate the advance which has been accomplished, and especially are we apt to forget within how short a space of time this transformation in American economic thought has taken place. The writer of the article in *The Nation* for January 16, 1902, giving an account of the annual meeting of the American Economic Association held in the preceding month, speaks about the activity in economics in this country as largely due to men who began their academic work some thirty years ago. Now the truth is that the men whom he had in mind, men prominent in effecting the organization of the American Economic Association, were, for the most part, not even undergraduates thirty years ago, but were still engaged in their preparation for college. Most of these men are still on the sunny side of fifty, and some of them are nearer forty than the former age. While the work which was done by men of a still

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older generation should not be disparaged, while this earlier work was, indeed, a necessary preparation for the more recent work, it is, nevertheless, true that the great change in economic thought in our country, which has given the United States a leading position in economic science, has taken place within twenty years, and that it has been quite largely brought about by men who believe that they still have before them the better part of their own work.

Reflections of this kind are especially appropriate as an introduction to those portions of the Report of the Industrial Commission which deal with labor, because the advance which economics has made during the preceding twenty years finds such marked expression in the methods employed and in the conclusions reached by the Industrial Commission, and especially by the economists who, as experts, were connected with the work of this Commission. It is difficult, even for those who have followed with some care the treatment of labor problems for the past fifteen or twenty years, to realize the progress which has been made in their discussion, both in respect to positive knowledge and to scientific methods followed. It is now somewhat difficult to do justice to those who, twenty years ago, were actively engaged in a scientific discussion of labor questions in this country, and to realize that a large part of the pioneer work in this field dates back to a period even less remote. The distinction between anarchistic

and socialistic movements is now understood by every economist, and even by the general, intelligent public; but it required careful study to discriminate between these two movements in 1885. Every graduate student now understands the difference between the principles underlying the American Federation of Labor and the Knights of Labor, but so careful a student of labor problems as Brentano, twenty years ago, denied the existence of any labor organization based upon the principles underlying the Knights of Labor. These are simply illustrations of the condition of thought and of knowledge even at so recent a period as 1885, when the American Economic Association was organized, and serve to show how much work has been done in order to give us that basis of knowledge with which any economist now begins a study of labor.

Another way of getting at the same thing is to contrast the Report of the Industrial Commission, created by act of 1898, with the voluminous Report of the Senate Committee on Labor and Education, in 1885. This earlier report has some value, because it gives the opinion of all sorts of people on all sorts of questions in any way connected with labor in 1885. It allowed a good many cranks and some thoughtful people an opportunity to express their views, and perhaps served as a safety-valve, which is probably the chief purpose which those had in mind who were responsible for the existence of the committee.

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The American economists are so numerous, and they have made themselves felt to such an extent in every part of the country, that probably we shall see no more federal reports on labor like the one issued by the Senate Committee of 1885. It is a great thing that it is known that there are in this country a body of economic experts, and that the state of public opinion is such as to demand their employment. The entire character of the Report of the Industrial Commission, the way the work is planned, and the way it is executed, show the constant guidance of the economist. The economists employed belong, for the most part, to those whom we would naturally designate as the younger generation of American economists, a generation younger than those who founded the American Economic Association, being, indeed, mostly students of those who were active in the early days of this association. When one considers all the circumstances surrounding their work, it must be said that they did their work remarkably well, and that they have strengthened the position and the influence of economists in this country. The three experts chiefly responsible for that portion of the final report dealing with labor are Dr. E. Dana Durand, the secretary of the Commission, Professor John R. Commons, and Mr. Charles E. Edgerton. Other experts employed by the Commission, whose work fell under the head of labor, are Messrs. J. R. Dodge, for agricultural labor; Samuel M. Lindsay, for railway labor; Victor H. Olm-

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sted and William M. Steuart, for prison labor; Thomas F. Turner, for Asiatic labor on the Pacific coast; F. J. Stimson, for labor legislation, and Eugene Willison, for mine labor legislation. Miss Gail Laughlin also treated the subject of domestic service. It is seen that, out of twenty-seven experts employed by the Commission, eleven had to do directly and immediately with various phases of what we broadly designate as labor problems.

While the work of the Commission was so broadly outlined in the act which created it that it could take in every subject pertaining to "industry," even when industry is most broadly interpreted, it was to be expected that a large part of the report should deal with labor. There are nineteen volumes in the entire report, and at least ten of them deal directly and immediately with the subject of labor to a large extent. If there is any one subject in the investigations of the Industrial Commission, which transcended labor in interest, it is the subject of trusts and industrial combinations, and it is in part the influence which these have upon labor that is responsible for the interest in them.

The mass of material furnished in the report is so vast that it is discouraging to the busy man, who would glean from it its practical and scientific teachings, until he discovers how admirably it is all arranged, and how excellent is the review of the whole subject in the final report. Each volume has its preliminary review of its substance.



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which is followed by the digest of evidence, the digest giving references to the pages of testimony. Each volume also has its own index. The final volume has an index covering all the nineteen volumes, as well as the general review, to which reference has been made. This general review, which covers only a little over two hundred pages, is admirably prepared, covering briefly the most essential points concerning labor in the preceding eighteen volumes. The one exception to this statement relates to agricultural labor, which is treated too briefly to harmonize with the general plan. The final review is followed by the recommendations of the Commission.

The method of using that part of the Report of the Industrial Commission which deals with labor is then very simple. The student will read, first of all, the entire final review, and will find it the best text-book as yet written on the labor problem. After he has read this broad, general survey, quite accurate in its description of the contents of preceding volumes, he will consult these volumes for a further study of particular topics which specially interest him. If the reader is a legislator, especially concerned in regard to prison labor, he will, if intelligent, desire to read the entire final review, in order to see the relation of prison labor to other kinds of labor. After he has done this, he will carefully examine the small volume entitled "Prison Labor" (Vol. III), and ascertain the different arrangements for directing prison labor in the

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various states of the Union. He will also gain some information concerning prison labor in other countries, and will have this knowledge, together with the recommendations of the Commission, as a basis for legislation. Those who are interested in various phases of labor legislation will similarly, after having read the final review, consult Vols. V and XVI, entitled respectively "Labor Legislation" and "Foreign Labor Laws."

Dr. Durand, the secretary of the Commission, has elsewhere stated<sup>1</sup> that the tone of the final review is progressive. This characterizes it correctly. It is progressive, but at the same time it cannot be called radical. It is based upon a profound knowledge of existing conditions, upon keen analysis, and very evidently upon long-continued and fruitful thought. No one else who has written on the subject of labor has given evidence of such careful study and accurate knowledge of the questions at issue as those responsible for this final review. Dr. Durand has stated that the tone of the report is more progressive than the commissioners, as a whole, would be inclined to indorse. It is quite probable that the commissioners did not give so much attention to the part of their report which deals with labor as to other parts, although there seems to be evidence of modifying suggestions received from them in a few portions of this final review. At the same time, this review is in

<sup>1</sup> See his article, "United States Industrial Commission," *Quarterly Journal of Economics*, August, 1902.

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general harmony with the portions of preceding volumes dealing with labor, and the recommendations of the commissioners themselves could scarcely be characterized otherwise than as progressive.

In the brief space of a single chapter it is difficult to give an adequate idea of the character of the work which is under examination. Probably, under the circumstances, the best method is to take up very briefly the more prominent topics discussed in the final review, devoting a few words to each.

The final review is divided into four main parts, namely: I, General Conditions and Problems; II, Relations of Employers and Employees; III, Protection of Employees in their Labors; IV, Labor on Public Works.

The first main part, dealing with general conditions and problems, is especially valuable on account of the careful discriminations which are made in this survey. A considerable space is devoted to negative work, which is necessary to clear the ground for profitable discussion. Popular errors must be examined, and the necessary limitations of the investigation must be made clear. It is pointed out, under "Profits and Wages," that we must sharply distinguish between two different aspects of the problem which they present. One aspect deals with the share of industry which goes to the factors of production, namely, labor, capital, land, monopolies, etc. The second aspect deals with the "income and social welfare of the manual

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working classes." Every economist knows that here we have two different orders of inquiries, but this fact, important as it is, is often overlooked. Under the head, "Uncertainty of Statistics," we have a correction of errors which are too common; as, for example, that the rate of interest on investments is an indication of the proportion of the product of labor and capital which either one receives. Strange as it may seem, it has been supposed that 10 per cent on an investment indicates that labor receives 90 per cent of the product. On the other hand, there are those who have drawn the conclusion that because of the value of manufactured products the aggregate wages amount to a little less than 25 per cent, that is all that labor receives of the joint product. Manifestly, it is necessary to examine into the cost of raw material used in manufactures, and the portion of that which accrues to labor.

A useful discrimination is made with respect to the earnings of capital, and here we come to something which even economists have not always borne in mind. We have to distinguish between the interest on disposable capital and the profits on established enterprises. The profits on established enterprises include, it is said, such things as "good will, trade-marks, patent rights, and monopolies of various kinds." The final review continues: "Monopoly privileges, for example, wherever they exist, become more and more valuable as population increases, and the net returns are

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thereby augmented; but, at the same time, the rate of interest on disposable capital, not protected by these privileges, has continually declined." After an examination of the actual decline in the rate of interest since 1865, it is asserted that there is an insurmountable difficulty in the endeavor to discover the rate of profit received in industry, with one exception, namely, national banks; for the reason, it is said, that we cannot ascertain the amount of capital invested, since census returns and statistical inquiries include, under capital, not only cash investments, but such factors as those which have just been mentioned, namely, good will, trade-marks, franchises, monopoly values, etc.<sup>1</sup>

The treatment of wages which follows is illuminating in its presentation of facts, and in its fine discriminations. Here, as elsewhere, what we need is careful analysis; but it requires a great deal of time and effort to educate the general public up to the point where analysis is appreciated. The ordinary man wants what we may term "rough and ready" conclusions. He wants to know that wages have risen so many per cent, or that they have fallen, and between the two broad statements he finds no middle ground. One of the gains which we may hope will result from the publication of

<sup>1</sup> The census returns of 1900, as a matter of fact, do take special notice of these items, and attempt to separate them out in the capitalization of manufacturing concerns. A further discussion of this point is desirable, but space is too limited to allow the present writer to say more about it in this review.

the Report of the Industrial Commission is that it will gradually impress upon the more intelligent portion of the American community the importance of those distinctions which the economist so well understands, but which are too apt to be dismissed by the daily press as merely academic exercises. It is pointed out that the movement of wages is slower than the movement of prices, as a consequence of which, in time of general prosperity, the wages do not rise so rapidly as the commodities which the wage-earner must purchase; whereas, it is affirmed, that in time of depression the wage-earner suffers from lack of employment, and does not enjoy the fruit of low prices. There does not seem to be sufficient support in any part of the Report of the Industrial Commission for this broad statement, and the facts in the case have not received anywhere, so far as the present writer is aware, scientific treatment. Elsewhere in the report it is shown that unemployment is not so great as many have supposed, and probably a good deal of support could be adduced for the thesis that ordinarily the wage-earner is most prosperous under a régime of low prices. Wages, however, have risen since 1869, according to the statistics presented, which are based upon a careful examination of a variety of sources. Wholesale prices, however, have fallen in marked degree. The conclusions reached in this particular are of especial interest on account of the fact that we may take it for granted that those who prepared the final re-

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port were not seeking to make out a case for existing conditions.

Attention is called, however, to the fact that we must consider not merely or chiefly daily wages, but rather yearly wages; to the further fact that the average wages must be higher, on account of the increasing relative proportion of wage-earners living in cities, if the wage-earner is to be equally well off in his economic well-being; and furthermore, mention is made of the increasing intensity of exertion, on account of the introduction of machinery and the division of labor, which must be considered when passing judgment upon relative wages.

Finally, a distinction is made between the earnings of organized men and those unorganized. And it is a difference of importance. It is shown by various illustrations that the organized workingmen have been able to secure a greater relative increase in wages than the unorganized. These conclusions are summed up in the following words, "Taking into account these observations, it must be concluded that the daily rate of wages is not a safe measure of the changing conditions of labor, and that, in a discussion of the progress of the working population, account must be taken of the amount of annual employment, depending on general conditions of prosperity and depression, the life earnings of the worker, depending upon the increasing intensity of exertion and overwork, and the increased necessary expenses of city life."

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After a fairly satisfactory treatment of the "payment of wages," with respect to time and piece payment, cash payments *vs.* payments in kind, etc., the sweating system is examined. The most satisfactory results of legislative efforts aimed against sweat shops are found in Massachusetts, and that, not because the legislation itself is most advanced, but because such legislation as there is is rendered effective by excellence of administration, on account of the high grade of inspectors employed, and the civil service laws which give continuity in office and protection to the inspectors. This is only one of several places where the importance of administration as distinguished from legislation is emphasized. In the treatment of child labor it is shown that, in addition to good laws, there must be a sufficient body of inspectors to enforce the laws effectively. The importance of compulsory school attendance for children is something recognized by the experts employed by the Commission, and almost, if not quite, unanimously, by the members of the Commission themselves. But the District of Columbia offers an illustration of the fact that a compulsory attendance law has little significance unless it is the duty of some specific person to enforce it. It is well that this importance of administration receives emphasis, inasmuch as in the administration of law we Americans have been weak, whereas we have been too inclined to think that mere legislation in itself could accomplish beneficent results.



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Unemployment receives especially full treatment, as might be expected from the personnel of the experts who prepared the final report. Again we find that careful analysis which has been so frequently mentioned. The causes of unemployment are divided into three main classes, namely, personal, climatic, and industrial. Reports of charity organization societies serve as a basis of the treatment of personal causes of unemployment, and this section of the work suggests the admirable treatment upon the same subject found in the late Professor Amos G. Warner's book, "American Charities."

The climatic causes of unemployment are due either to weather or to changes in consumption on account of the succession of the seasons. Some kinds of seasonal unemployment could, perhaps, without impropriety, be placed under the heading of vacation. The teacher cannot be regarded as unemployed during vacation, and there are seasonal trades which have periods of idleness, which could possibly be treated as rest periods. At the same time, it is interesting to note that with the progress of industries greater regularity in employment is secured. One kind of employment in the summer is followed by another sort in the winter, and certain trades have to a greater extent than heretofore conquered nature. Building is carried on more extensively in winter than formerly. However, after all allowances are made, it is still true that seasonal irregularities are an

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evil which is keenly felt by large numbers of wage-earners.

Under industrial causes of unemployment we find a treatment of strikes, machinery, and employment agencies. The loss of employment through strikes is a serious one, but not so great as we are frequently led to infer by statistical statements. In many cases, the strike means simply a transfer of a period of unemployment from one time to another, and there must be cases where a period of unemployment would, to some extent, coincide with a strike period. The ordinary opinion of experts concerning machinery as a cause of unemployment is in the main confirmed. An illustration is found in the increasing number of railway employees in the United States, notwithstanding all the improvements and economies of labor which have been introduced. The imperfect and insufficient character, however, of the statistics of unemployment is mentioned, and the conclusion suggests itself that there is an opportunity for various labor bureaus to render service in increasing our knowledge of the facts of the case. More has been done by the New York Bureau of Labor Statistics than by any other, but the researches even of this bureau embrace only organized labor in the state of New York since 1897. The work of the free employment bureaus is described, but they are evidently considered simply a palliative and no real remedy for the evils of unemployment.

The longest section of Part I, dealing with

General Conditions and Problems, is devoted to hours of labor, and this is the final section. The benefits of shorter hours are described and emphasized strongly. The movement to secure shorter hours is favored, and it is insisted that, inasmuch as the tendency of industry requires increasing intensity of exertion, a corresponding shortening of the working day is needed to preserve the health and vigor of the wage-earning population. Restrictions of output, on the other hand, are discountenanced as a disadvantage to American industry. Testimony is adduced to show that, up to the present time, as a rule, the shortening of the working day has not decreased production, although it is admitted that it is a rule with exceptions. It is also admitted that one part of the American Union may be placed at a disadvantage as compared with another section, on account of the more rapid rate in the decrease of the length of the working day in the former. In the matter of foreign competition it is claimed that this disadvantage of American workmen does not hold, because American labor receives the advantage of the protective tariff. The efforts of labor organizations to secure shorter hours are described, and then there follows a treatment of legislation covering the hours of labor. Emphasis is naturally laid upon the decision of the Supreme Court of the United States in the well-known Utah mining case, where an eight-hour day for the miners was sustained on the ground that in protecting a large

class of employees the state is protecting the community as a whole. The decision of the Supreme Court of Massachusetts, sustaining a law limiting the hours of women in certain employments to sixty hours per week, is also cited, as well as the decision of the Supreme Court of Illinois, declaring an eight-hour law, applying to adult women in factories, unconstitutional. It is interesting to notice the opinion expressed in the final report that legislation upon the subject of hours of labor cannot be general, but "must be based upon accurate investigation of the conditions in the several industries." It is urged that the United States Department of Labor should be furnished with adequate funds to conduct a full investigation of the injurious occupations, employing medical and technical experts for this purpose. This is important in view of the tendency of the courts to rule against what is called class legislation; for the question can very well be raised, if effective legislation must not necessarily be based upon a recognition of classes in the community, with needs which vary according to class. A special point is made of the desirability of uniformity of legislation among the states of the Union, concerning hours of labor. It is in the main, however, recommended that legislation restricting the hours of labor should be applicable only to those under twenty-one. The legislature of New Jersey, limiting the hours of labor in factories to fifty-five per week, is recommended as a standard which should

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be adopted by every state with factory production. It is recognized that federal legislation must be restricted mainly to those engaged in interstate commerce, and to those directly employed by the federal government.

Having treated with such fulness that portion of the final report which gives the general survey, the remaining parts can be passed over much more briefly. The first topic which is discussed, under "Relations of Employers and Employees," is labor organizations. Their growth and membership are briefly described, and it is shown that they are a necessary feature of industrial evolution. As a distinct wage-earning class arises, trade-unions come into existence, and as industry expands labor organizations expand likewise and become national and international. The two greatest efforts in this country to give unity to the organization of labor are those which have proceeded from the Knights of Labor, and the American Federation of Labor. The Knights of Labor endeavored to secure a unity like that of the "republic indivisible" which was the ideal of the leaders of the French Revolution, whereas the American Federation of Labor has had as its ideal a large degree of autonomy for the separate organizations, along with unity in important matters of general concern. The founders of the American Federation of Labor undoubtedly had floating before their minds, as a model of organization, the political union of the American states. The advantages of labor organizations find

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sympathetic treatment. If the attitude of labor organizations towards non-union labor is not justified, it is at least explained, and it is needless to dwell upon the importance of understanding the real basis of the antagonism of union labor towards non-union labor. There are comparatively few people outside the wage-earning ranks who understand how much can be said in favor of the position which organized labor assumes in this particular; and this can be admitted, even if we are unable to justify the conduct of labor organizations with respect to those outside their ranks. This conduct is undoubtedly frequently reprehensible and sometimes even criminal. But those will not succeed in finding a remedy who do not understand the real nature of the question.

After a brief discussion of the political activities of labor organizations, we have an extended treatment of "collective bargaining, conciliation and arbitration." Collective bargaining is defined as a "process by which the general labor contract itself is agreed upon by negotiation directly between employers, or employers' associations and organized workingmen" (p. 834). It is shown that collective bargaining is the necessary outcome of the progress of industry with labor organizations, and that conciliation and arbitration imply organization alike of capital and of labor.

Careful discrimination is made between two main classes of industrial disputes, viz., "first, those which concern the interpretation of the ex-

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isting labor contract or terms of employment, and which usually are of a relatively minor character; second, those which have to do with the general terms of the future labor contract, and which are usually more important." It is shown that conciliation has been far more successful than arbitration. One of the most important features of this part of the final report is the emphasis laid upon the great advantage of conferences composed of "relatively large numbers of representatives of employers and employees." It is said that these conferences need not be held at regular intervals, and that when they are held they should be conducted with informality. If disputes cannot be settled by the parties themselves, it is held that they should then be referred to a board, composed of representatives of employers and employees, who, while not directly interested themselves, are nevertheless familiar with trade conditions, and perhaps even personally acquainted with the parties to the dispute. These boards are called trade boards of conciliation and arbitration, and it is maintained that such boards can frequently remove misunderstandings which are so often a cause of industrial strife.

It is shown that the state boards of arbitration in the United States have accomplished important results only in a few states. The states which are mentioned are Massachusetts, New York, Ohio, Indiana, Illinois, and Wisconsin. Perhaps the list should be confined to the first two. The position

is taken that the work of state boards must "be confined chiefly to disputes in trades where no systematic methods of collective bargaining and of trade conciliation and arbitration exist" (p. 852). Such boards of arbitration frequently lack, it is said, familiarity with local and trade conditions, and are distrusted both by employers and employees. It is evident from the survey of the Industrial Commission, as well as from the reports of state boards, that they can accomplish no large results unless clothed with sufficient powers to make themselves respected by employers and employees alike. In many states the state boards are so feeble, both in their personnel and in their powers, that they are simply contemptible.

Compulsory conciliation and arbitration, without legal enforceability of decision, meets with sympathetic treatment, and is favored, on the whole, on account of the advantages to employers and employees, and also especially on account of the interest of the general public in industrial peace. Compulsory arbitration is briefly described, and its success, up to the present time, in New Zealand noted, although it is pointed out that extreme caution must be displayed in drawing lessons from a small agricultural country like New Zealand for a great industrial country like the United States. Mention is made of the fact that there are persons who believe that "compulsory arbitration is desirable as a last resort in the case of those few great disputes which affect with special severity the gen-



eral public interests." Probably it will be felt by economists that this section, dealing with compulsory arbitration, is one of the least satisfactory in the entire final report. The strength of the argument in favor of compulsory arbitration is found in the gradual extension of legal means for the settlement of disputes in general, and in the superiority of the public interest over the interest of particular persons. A sharp discrimination must be made between various industries, and if compulsory arbitration is to be introduced in a great country like the United States, it must be begun tentatively in those industries, the continuous operation of which is of paramount public concern. It must, in other words, begin with what are called quasi-public industries. A correct line of argument is suggested, but not satisfactorily elaborated. One question must, however, be raised, and that is this: Does not compulsory arbitration in the final analysis mean that, when everything else fails, government must step in and operate the industry for which compulsory arbitration has been established? President Hadley, in his work on "Economics," has some instructive remarks upon the difficulties of compulsory arbitration.<sup>1</sup> He points out that compulsory arbitration, even in quasi-public pursuits, may stop the investment of fresh capital, and that this investment is important for the general public. We may establish arbitration for coal mines and for railways, but we cannot,

<sup>1</sup> Chap. XI, § 399.

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consistently with free industry, find a way to compel people to invest their money in the operation of railways and coal mines, if they feel that compulsory arbitration will render these pursuits relatively unprofitable. There can be no doubt that this outcome of compulsory arbitration is a possibility. It would seem necessary, then, in all discussion of compulsory arbitration, to face squarely the fact of a possible temporary, or even permanent, government operation of those industries for which such arbitration is established.

Strikes and lockouts are treated with a considerable degree of thoroughness. The past literature is reviewed instructively, and several points are brought out which, if not new, are at least not very generally understood. The causes of strikes are analyzed, and it is shown that the four chief causes are demands for increase of wages or protests against a decrease; demands for a shorter working day; and finally, demands which relate to methods of calculating wages or paying them. These four classes of demands cover four-fifths of the entire number of demands by strikers. According to the Report of the Department of Labor covering the years from 1881-1900, in about two-thirds of the establishments in which strikes occurred, the workmen were either wholly or partially successful, although only about one-half of all the persons engaged in strikes were wholly or partly successful in obtaining their demands. As is well known, the strikes for higher wages are more

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largely successful than strikes against a reduction of wages, due to the fact that the former are made in times of increasing prosperity. Organized workmen appear to be more generally successful than unorganized, in their strikes. A comparison of results of strikes between various countries shows that there are more unsuccessful strikes in the United States than in the other leading countries of the world, while Great Britain has the largest percentage of strikes reported as entirely successful. It is pointed out that it is difficult to estimate the final results of strikes, and it is shown why the leaders of organized labor insist that they are, on the whole, beneficial. The claim is made that the fear of strikes has a wholesome influence upon the rate of wages and the conditions of labor, and furthermore that benefits received from strikes continue for indefinite, but very generally long, periods of time. While we must deplore strikes and lockouts, we should not overlook the facts to which attention is here called. A strike may last for a few weeks, and the increase in wages or shorter hours thereby secured may continue for something like twenty years, as has happened in the case of a street-car strike which took place in Baltimore in the '80's. The very obvious conclusion to be drawn from this part of the report is that we cannot hope to do away with strikes and lockouts unless we substitute other effective methods in their place for the adjustment of industrial disputes. Attention is called to the exaggeration by the press of

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the influence of the leaders of the workingmen, and it is shown that the actions of trade-unions are governed by the vote of their members. Intimidation and violence and picketing are briefly discussed, and then follows a treatment of the boycott. Boycotting is not wholly discountenanced, but a sharp distinction is made between what is called the simple and the compound boycott. The first relates to "a voluntary withholding of patronage by workingmen directly concerned in a dispute, or by other persons because of sympathy for them," and compound boycotting is called "the coercive boycott." This refers to cases in which "workingmen threaten refusal of patronage to those who patronize the employer, thus endeavoring to force them not to do a thing which they have a legal right to do." The compound boycott is pronounced illegitimate.

The subject of injunctions is carefully and, on the whole, conservatively treated. It is held that the right of injunction is to be defended, but that its use is to be restricted. The following quotation expresses the conclusion reached: "It is undoubtedly desirable that this extraordinary process of injunction should be employed with greater conservatism than has been the case during the past decade. However severely the acts of strikers against which injunctions are usually directed, may be condemned, this is, in many cases, scarcely a proper method of checking them. Some injunction orders have gone too far in the scope of acts

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prohibited, and have been too indiscriminately applied to great bodies of people. It seems desirable that statutes should be enacted, defining with greater precision the acts of workingmen which are permissible, or which are civilly or criminally unlawful, in order that a clearer indication of the limits of the injunctive process may be given. It would seem more in accordance with legal procedure to limit the application of injunction orders than to provide for jury trial of violation thereof."

The third main section, dealing with the "Protection of Employees in their Labor," is one of the most interesting. It reviews the whole body of so-called factory legislation, enabling us to compare the various leading industrial countries of the world with one another, and particularly to institute comparisons between the various states of the Union. The four leading states, so far as we may judge from Mr. William F. Willoughby's table upon the duties of factory inspectors, are Massachusetts, New York, New Jersey, and Pennsylvania. Under the duties of factory inspectors to enforce laws there are thirty-two points. New Jersey has inspection covering twenty-four points; Massachusetts and New York covering twenty-two points, and Pennsylvania twenty-one points. The position which New Jersey takes will doubtless surprise many readers. On the whole, however, Massachusetts and New York seem to be the leaders, and they are recommended by the Commission as models. Probably of all the states, Massachusetts

is still the banner state of the Union, when we take into account not only the number of points covered, but the methods of carrying out the law and the positive provision made in education, and otherwise in behalf of the wage-earning population.

One of the most instructively treated topics in this section of the report is that which deals with the employment of women. Here popular and very widely held errors are corrected. It is shown that the increased employment of women is chiefly due to what we may term the socialization of industry. Work which was formerly performed in the house has been taken outside the home into factories, and the employment of women has largely been transferred. There is no reason to suppose that a larger number of adult women are engaged in toil now than formerly, and still less reason is there to suppose that very generally the women are replacing men. In addition to the fact that industry has been socialized, is the further fact that new employments have arisen, such as typewriting, which have given new work and increased the number of workingwomen, without taking work which was formerly performed by men.

One of the most important topics under the protection of employees relates to employers' liability. Attention is called to the unsatisfactory condition of the law in the United States, and it is shown that not only few workingmen of the United States receive compensation for accidents,

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but that the number tends to decrease, unless the common law is supplemented by statutes. One great obstacle to the recovery of damages is the doctrine of "fellow-servant," by which the employer escapes liability for the negligence of his agent in case the injured workman is a fellow-employee of the agent. There is also the further doctrine of contributory negligence, which relieves the employer, although the larger part of the blame may be his. There is also the further doctrine that the employee assumes risk if he was aware of the danger and did not call attention to it, although to have called attention to the danger might have resulted in his discharge. The most instructive part of this portion of the final report is that which establishes the fact that to an increasing extent we have to do, in industrial accidents, not with blame attaching either to employee or employer, but with an industrial risk which is part and parcel of modern industrial methods. The ideal then is to make the industry carry the industrial risk, rather than to attempt to place the responsibility upon individuals, whether employees or employers. This is the general principle which has received acceptance in Germany in the insurance scheme which provides for employees who suffer from industrial accidents. The difficulty of reaching this ideal in our country is described, and the English employers' liability act is recommended as the present ideal. The English act places the responsibility in a general way upon

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the employer and prevents "contracting-out" of the liability.

The fourth main section, dealing with Labor on Public Works, is a short one and can be dismissed with a few words. The advantages and disadvantages of public works are discussed. It is shown that in the case of federal public works, production is usually far more costly than in private works, but it is denied that, generally speaking, this is due to defects inherent in public undertakings. So far as this increased costliness is due to better labor conditions, it appears to be favored. In a general way it is recommended that government should be a model employer, while maintaining the highest possible degree of efficiency.

Turning now to the formal recommendations of the Commission, the reader must again be reminded that these are distinct from the final review, or any other reviews. The recommendations of the Commission are the formal official action, whereas the other parts of the report are largely the work of the experts employed by the Commission. The Commission, first of all, recommend a regulation of the hours of labor in industrial occupations. Uniformity among the states is emphasized as especially important. The opinion is expressed, however, that limitation of the hours of labor should be restricted to persons under twenty-one, except in special industries where employment "for too many hours becomes positively a menace to the health, safety, and well-being of the community." It is



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recommended that no children should be employed under the age of fourteen, and that accompanying labor legislation there should be educational restrictions providing that no child may be employed in "factories, shops, or stores in large cities who cannot read and write." In all public work it is recommended that the length of the working day should be fixed at eight hours. It is recognized that this discriminates between public and private employment, but the hope is expressed that private employment may be brought up to the level of public employment in this particular. It is further recommended that the federal government should regulate the hours of labor of employees engaged in interstate commerce.

It is recommended that the states should provide for cash payments and should legislate against company stores.

The careless use of injunctions is pronounced reprehensible, and "blanket injunctions against all the world, or against numerous unnamed defendants, as well as the practice of indirectly enforcing the contract for personal service by enjoining employees from quitting work, should be discouraged not only by popular sentiment, but by intelligent judicial opinion. There should be no unnecessary departure from the time-honored principle that the contract of personal service cannot be specifically enforced, because to do so entails a condition of practical slavery" (p. 949).

Turning to intimidation, the New York statute

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relative to railway labor is recommended for general adoption. The New York statute protecting the political rights of laborers is also recommended as a model.

The practice of giving a preferred lien to employees for debts due for wages and salaries is approved, and its extension recommended.

The subject of convict labor, which is treated in a separate volume, is referred to in the recommendations of the Commission. In this separate report the New York plan, in accordance with which convicts manufacture goods for the use of state institutions, seems to meet with approval so far as it is practicable. It is recommended that in all cases the punishment and reformation of the prisoner be placed above revenue considerations, and that a system be devised which should give all prisoners employment in productive labor, with the least possible competition with free labor. In the recommendations of the Commission, it is said to be clear that "Congress should legislate to prevent the importation and sale of convict-made goods from one state into another, without the consent of the state into which the goods are imported or where they are sold."

The factory acts of Massachusetts and New York are recommended, as well as the sweat-shop laws of New York, Massachusetts, Pennsylvania, and Ohio.

The enactment of a code of laws for railway labor is considered to be within the province of

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Congress, as it falls under the "interstate powers." It is especially recommended that in such a code there should be a careful definition and regulation of employers' liability and of the hours of labor.

The protection of trade-union labels is recommended. It is further recommended that "conspiracy should be defined and limited." Laws against black-listing and the use of private police detectives are approved.

The Commission finds that the laws of the states with respect to conciliation and arbitration have been found effective for purposes of conciliation, but that so far as arbitration, strictly defined, is concerned, they have not accomplished any large results. Further efforts in the direction of conciliation and arbitration are recommended, and the Commission believe "that whoever inaugurates a lockout or strike without first petitioning for arbitration, or assenting to it when offered, should be subjected to an appropriate penalty." It is recommended also that arbitration should not be restricted to a public board, but that the parties to the dispute should be permitted to choose arbitrators if they prefer.

Finally it is recommended that all the states not now having them should establish labor bureaus, and that their duties should be extended, and that they should coöperate with the legislative bodies of the states and with Congress in legislation by means of their recommendations.

These recommendations are signed by eleven

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members of the Commission. Another member of the Commission cordially indorses them in a supplementary note. Four commissioners dissent from the report. The theory of those who dissent seems to be based upon the eighteenth-century philosophy of individual liberty, and to have as its direct, practical purpose the interests, real or supposed, of Southern manufacturers. Two of the dissentients are large cotton mill owners, one of them one of the most prominent operators in Charlotte, N.C., and the other the president of the milling corporations of Pelzer, S.C.<sup>1</sup> The former, however, recommends ample school facilities, with compulsory education, coöperative savings institutions under state laws, and the establishment by the United States government of postal savings-banks, and finally "liberal provision for the incorporation of labor organizations."

This review of the portions of the Industrial Commission Report dealing with labor, although it has gone beyond the length originally contemplated, is inadequate. This is necessarily so, on account of the largeness of the subject, and the

<sup>1</sup> This gentleman, Mr. Ellison A. Smyth, it should be said, has established better conditions for his employees than are usually found in the South; has provided an excellent school for the children, to which he requires his employees to send them, while he advocates compulsory education, and has used his influence in favor of a law recently enacted in South Carolina, taking the first steps in the regulation of child labor, and in its prohibition in mills in the case of children under ten, with a gradual increase of the age under which children may not work up to twelve years.

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proportion of space devoted to it. It is, however, hoped that what has been said will give an idea, which is correct so far as it goes, of the excellent work which has been done by the Commission, and of the character of their report upon the subject of labor.

In a general way it may be said that the report deals with labor in its static rather than in its dynamic aspects. The idea of evolution in labor conditions is suggested here and there, but not consistently developed, and perhaps to do so would not have been in harmony with the character of the work assigned to the Commission. The report leaves here, as elsewhere, an unlimited quantity of work for scholars, but the report must be a point of departure for further scientific work concerning labor in the United States. It is a mine of information, and it is also a practical guide for the legislator. It is the most notable achievement of the kind in the history of the United States, and it will compare very favorably with any similar investigation undertaken in any country. Credit must be given to the good sense and judgment of the Commission, and especially to the experts whom they employed.

Perhaps in the whole report nothing is more noteworthy than the extent to which, along with many differences, agreement could be reached in important particulars. Here, as elsewhere, it is seen that ignorance is a cause of dissension, and knowledge a cause of harmony.

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## LITERATURE

The *Yale Review* for November, 1902, is devoted largely to a review of this Report. The present chapter is a reprint of that part of the Review which deals with labor. In addition to editorial comment, there are also articles on the various parts of the Report, dealing with Transportation, Agriculture, Taxation, and Trusts, written by Professors H. C. Adams, L. H. Bailey, Carl C. Plehn, and Maurice H. Robinson.

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## APPENDIX A

### THE POLICY OF TRADE-UNIONS WITH RESPECT TO NON-UNION MEN

The following quotation from the Final Report of the Industrial Commission states concisely the policy of the trade-unionists with respect to non-union men:—

“The maintenance of the union organization, through which the wage is upheld, costs time and trouble and money. More important than anything else, it involves for those who are active in it the peril of the displeasure of their employers and the loss of their livelihood. If the non-union man secures a rate of wages above what he could get if the union did not exist, the members of the union feel that he has made a gain directly at their expense. They have sown and he has reaped. It seems to them to be required by fairness that he share with them the burden of maintaining the conditions of which he reaps the benefit. If he is not willing to share the burden, it seems to them only just that he should be excluded from the gain.

“If, on the other hand, non-union men, as efficient as the members of the union, compete for employment by cutting under the union rates, there is a great weakening of the col-

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lective bargaining. The employer will prefer the non-union to the union man because he is cheaper. Those who are in the union will be tempted to leave it, because their chances of employment will be greater outside than in. The final result of the process, if permitted to work itself out freely, will be, it is declared, the destruction of the organization itself.

"The intelligent and conscientious unionist accepts this argument the more readily because he looks beyond his personal interest to the interest of his trade and of the whole working class. The elevation, first of his immediate fellow-workmen, and afterwards of all wage-earners, is the ideal which he sets before him. He believes that no other change, no increase of scientific knowledge, no ennoblement of art, no multiplication of material wealth, can be compared to this in its importance to the social body. He may or may not believe that it is necessary to look for radical improvement to changes of the laws. In any case the thing that seems to his mind to give the best promise of immediate results is the organization of labor. It follows that it is every man's duty, in his view, and in particular the duty of every wage-earner, to strengthen the labor organizations. The workingman who stands aloof is often felt to be a recreant to his social obligations, and a traitor to his fellow-workmen and to his class.

"There is beyond question much force in the argument of the union men in defence of their attempt to exclude others from employment. The union can exercise little control over the conditions of labor if there is a large body of unorganized men in the trade who do not join in collective bargaining, but who are willing to accept inferior conditions. If workingmen, perhaps through misunderstanding of the advantages which organization may bring them, are unwilling to join in the collective cause, there is much excuse for the endeavor to make their conditions such as to alter that determination. So long as the actions of labor organizations in this direction are peaceful, without intimidation or physical violence, it is not easy to see why they should be placed under the ban of the law.

"The attempt to compel employers to hire only union men

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may evidently be poor policy for labor organizations which have not yet strength enough to enforce the demand. The animosity of employers is likely to be aroused by what seems to them dictation. It must not be forgotten, however, that, in a very large number of establishments, in many trades, employers—apparently with little objection—enter into agreements for the exclusive employment of union men. Yet it is obviously desirable that the unions should rely, so far as possible, upon persuading their fellow-workmen of the advantages of organization, and upon persuading employers of the superior efficiency and regularity of union labor, rather than upon more coercive methods.

“The attempt of labor organizations to make their membership as comprehensive as possible is materially different in character from the attempt, less frequently made, to exclude persons altogether from the trade. If the union is willing to receive any competent person into its ranks, no man can complain of being absolutely deprived of work because union men refuse to work with him so long as he fails to join the organization. When, however, a union has established a substantial control of its special kind of labor, the temptation arises to restrict the number of members. This is occasionally done by an absolute refusal to receive new candidates. Such action is, however, rare; the forms in which this tendency more commonly appears are restriction on apprenticeship and high initiation fees.”<sup>1</sup>

### APPENDIX B

The following table, showing the duties of factory inspectors in the United States, indicates the nature of the protective factory legislation in the United States, and the progress which has thus far been made. It is true that the entire protective labor legislation cannot be placed under the head of “duties of factory inspectors,” but, nevertheless, this table gives the more important points:—

<sup>1</sup> Final Report of the Industrial Commission, Vol. XIX, pp. 815-817.



FROM "INSPECTION OF FACTORIES AND WORKSHOPS,"

By William Franklin Willoughby (Monographs on American Social Economics, VII), 1900

DUTY OF INSPECTORS TO ENFORCE LAWS CONCERNING—	MAINE	MASSACHUSETTS	RHODE ISLAND	CONNECTICUT	NEW YORK	NEW JERSEY	PENNSYLVANIA	DELAWARE	OHIO	INDIANA	ILLINOIS	MICHIGAN	WISCONSIN	MINNESOTA	MISSOURI	NEBRASKA	TENNESSEE	WASHINGTON	KANSAS	CALIFORNIA
Employment of children . . . . .	x																			
Employment of women . . . . .	x	x																		
Payment of wages . . . . .	x	x																		
Lunch hour, women and children .	x	x																		
Seats for females . . . . .	x	x																		
Separate toilet facilities for the two sexes . . . . .	x	x																		
Guarding machinery . . . . .	x	x																		
Cleaning machinery in motion by children and women . . . . .	x	x																		
Mechanical belt and gearing shifters	x	x																		
Communication with engineer's room . . . . .	x																			
Guarding vats containing molten metal or hot liquids . . . . .																				
Railings on stairways . . . . .																				

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[illegible]

From Final Report of the Industrial Commission, Vol. XIX, p. 899.

# EVOLUTION OF INDUSTRIAL SOCIETY

## APPENDIX C

An essential part of protective labor legislation is found in the child labor and compulsory education laws, which are given in the table below:—

SUMMARY OF CHILD LABOR AND COMPULSORY EDUCATION LAWS  
IN FORCE, OCTOBER, 1901<sup>1</sup>

STATES	Age under which labor in factories is prohibited	Age under which labor in mines is prohibited	Age for compulsory school attendance	Annual period of compulsory school attendance
Maine . . . . .	12		7-14	16 weeks
New Hampshire . .	12		8-16	12 weeks
Vermont . . . . .	10		8-15	28 weeks
Massachusetts . . .	14		7-14	Full term
Rhode Island . . .	12		7-15	80 days
Connecticut . . . .	14		7-16	Full term
New York . . . . .	14		8-16	8 to 12 full term
New Jersey . . . .	14, 12	12	7-12	20 weeks
Pennsylvania . . . .	13	14	8-16	Entire session
Maryland . . . . .	12			
District of Columbia			8-14	12 weeks
West Virginia . . .	12	12	8-14	16 weeks
Kentucky . . . . .			7-14	8 weeks
Tennessee . . . . .	14	14		
Alabama . . . . .		10		
Louisiana . . . . .	14, 12			
Ohio . . . . .	13	15	8-14	20, 16 weeks
Indiana . . . . .	14	14, 12	7-14	12 weeks
Illinois . . . . .	14		7-14	16 weeks
Michigan . . . . .	14		8-15	4 months
Wisconsin . . . . .	14, 12		7-14	12 weeks

<sup>1</sup> Final Report of Industrial Commission, Vol. XIX, p. 921.

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STATES	Age under which labor in factories is prohibited	Age under which labor in mines is prohibited	Age for compulsory school attendance	Annual period of compulsory school attendance
Iowa . . . . .		12		
Minnesota . . . . .	14	14	8-16	Entire session
Missouri . . . . .	14			
North Dakota . . . . .	12		8-14	12 weeks
South Dakota . . . . .		14	8-14	12 weeks
Nebraska . . . . .	12, 10	12, 10	7-14	Two-thirds term
Kansas . . . . .		12, 16	8-14	12 weeks
Arkansas . . . . .		14		
Montana . . . . .		14	8-14	12 weeks
Wyoming . . . . .		14	6-21	12 weeks
Colorado . . . . .	14	12, 14, 16	8-14	20 weeks
New Mexico . . . . .			8-16	12 weeks
Arizona . . . . .			8-14	12 weeks
Utah . . . . .		14	8-14	20 weeks
Nevada . . . . .			8-14	16 weeks
Idaho . . . . .		14	8-14	12 weeks
Washington . . . . .		14	7-15	12 weeks
Oregon . . . . .			8-14	12 weeks
California . . . . .	12		8-14	Two-thirds term

## APPENDIX D

### EMPLOYERS' LIABILITY IN ENGLAND

Under the common law a workman was entitled to receive damages when injured as a result of the negligence of his employers, but he was supposed to assume the ordinary risks of the business. When the injury was caused by the work-

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man's own negligence or by the negligence of a fellow-workman, the employer was not responsible.

The Employers' Liability Act of 1880<sup>1</sup> gives the workman a right to compensation when the injury was caused (1) by reason of any defect in machinery or plant, when this defect arose or had not been discovered or remedied owing to the negligence of the employer, or of some person intrusted by him with the duty of seeing that the plant was in proper condition; or (2) by reason of the negligence of any person in the service of the employer who had any superintendence intrusted to him; or (3) to whose orders the workman was bound to conform; or (4) by reason of the act of any person in the service of the employer done in obedience to the instructions of the employer or of any person delegated with his authority, providing that there was some fault or defect in these instructions; or (5) by reason of the negligence of any person in the service of the employer who had the control of any signal, points, locomotive engine, or train upon a railway. But the workman is not entitled to damages if he knew of the defect or negligence which caused his injury and failed to report it.

This act is still in force, but the workman has the choice of taking advantage of a new law, the Workmen's Compensation Act of 1897.<sup>2</sup> This is a radical departure from previous legislation. The employer is now liable to pay damages even when there has been no negligence on his own part, and even when the accident has been due to the neglect of the injured workman himself, except only in cases of "serious and wilful misconduct." This liability exists even where the workman makes a contract exempting the employer, with the following

<sup>1</sup> This act is printed in full in the Report of the Industrial Commission, Vol. XVI, pp. 68-70.

<sup>2</sup> Printed in full in the Bulletins of the Department of Labor, 1901, p. 126, in an article by A. Maurice Low, entitled "The British Workmen's Compensation Act and its Operation." The law is also printed in the Report of the Industrial Commission, Vol. XVI, p. 71, but without the "schedules" giving amount of compensation and method of arbitration.

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exception: If the registrar of a friendly society, after taking steps to ascertain the views of the employer and workmen, certifies that any scheme of compensation is on the whole not less favorable to the general body of workmen than the provisions of this act, the employer may contract with any of his workmen that the provisions of the scheme shall be substituted for the provisions of this act. An undertaker is liable for the injuries also in cases where the work is conducted by sub-contractors. He is not liable for an injury which does not disable the workman for a period of at least two weeks from earning full wages at work at which he was employed.

The amount of compensation is as follows: Where death results, and the workman leaves dependants wholly dependent upon his earnings at the time of his death, the payment is a sum equal to his earnings during the three years next preceding the injury, or the sum of £150, whichever of these sums is the larger, but not exceeding in any case £300. In case the dependants are in part dependent upon his earnings, then a reasonable amount not exceeding the maximum is fixed by arbitration. If there are no dependants, medical and burial costs not exceeding £10 are to be paid by the employer. Where total or partial incapacity for work results from the injury, the workman receives a weekly payment during the incapacity after the second week not exceeding fifty per cent of his average weekly earnings during the previous twelve months, if he has been so long employed, but if not, then for any less period during which he has been in the employment of the same employer, the weekly payment not to exceed £1.

Under the former act damages for accidents are recovered by actions brought in the law courts. This act provides a system of arbitration. It is also less broad in its scope; it applies only to workers on or in a railway, factory, mine, quarry, or engineering work, and in certain cases to work on buildings. By a later act (July 30, 1900<sup>1</sup>) agricultural laborers are included.

<sup>1</sup> Printed in the Bulletin of the Department of Labor in the article cited.

## CHAPTER X

### INDUSTRIAL PEACE

It is a self-evident proposition that if we would avert strikes, we must deal with the causes of strikes: consequently any fruitful discussion of preventive measures must be based upon an analysis of these causes. What, then, are the causes of strikes of wage-earners? Many different causes are enumerated in reports on strikes, but most of these are subsidiary causes. The main causes are four: namely, first, a desire for higher wages or an effort to prevent reduction of wages; second, methods of calculating wages, as by the piece or time, by weight or measure, as in case of coal, methods of pay as in money or store orders, etc; third, a desire for a shorter working day; and fourth, a desire to improve the general environment under which work is conducted. The first cause is the one which appears most frequently in industrial disputes; but during the past generation many bitter strike conflicts have been waged with reference to the length of the working day. In the United States, especially, efforts to secure a normal working day of eight hours have provoked

some of our fiercest strikes. The regulation of environment has been a relatively infrequent cause of strikes, although the matter is one of great importance. Efforts to secure recognition of labor organization, to regulate apprenticeship, etc., are subsidiary to the main causes enumerated, and all these causes obviously may be reduced to the one main cause—a desire on the part of the wage-earners to improve their economic position. But this desire on the part of wage-earners taking the main directions mentioned does not lead to strikes until it encounters opposition. If desire were realization, conflict would cease. Now the opposition to the realization of desire in the case of the wage-earners is found in the attitude of their employers. These in turn have their own desires, taking frequently an opposite direction; namely, desires for a longer working day or lower wages, and they also generally find in the economic conditions surrounding them sharp limitations of the possibilities of compliance. Without dwelling longer on these preliminary observations, it may be said that as a result of conflicting desires and interests, which in spite of all fine words are not precisely identical, we find arrayed against each other two economic classes; namely, the employed and the employers. The earners of wages frequently feel that the resistance to their aspirations is unjust and indefensible, and the wage-payers feel that the demands made on them are unreasonable and sometimes even impossible of fulfilment. A dispute



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exists as to economic rights and privileges, and as this dispute is looked upon as a matter of private concern chiefly, or even wholly, no regular public tribunal for the adjustment of these differences is provided, or when one does exist it is not clothed with adequate powers. That takes place which must, in the nature of things, happen; namely, an attempt to secure the satisfaction of desire by force — economic force. The wage-earners cease work and endeavor to induce others to refrain from taking the places which they have left. Their hope is that through the infliction of a penalty on the employer, namely, a pecuniary loss, compliance with their desires will be forced. The employer, on the other hand, trusts that the pressure of economic need, which in many cases soon becomes hunger, may force the wage-earners to yield to his terms. This is a kind of war, and indeed is in popular language so called. It is industrial war, and there is no doubt that the suffering involved is in proportion to the number engaged comparable to that of military warfare; frequently it is, no doubt, even greater. Cripples are left on the field — both literally and figuratively. Years after an industrial battle, here and there may be found the maimed, wrecked existences, and no pensions afford them relief. Their suffering continues one of inglorious silence. But this strike warfare is domestic. It is within the nation. It is civil war. It had been supposed that within the nation peace was achieved, and that we were moving forward to abolish war-

fare among nations. Our period is truly one of disillusionment.

The government has as one of its ends the preservation of order and quiet. In early times, quarrels of all sorts were settled directly by physical force. Later, as the interest of society in peace asserted itself, combats were regulated; and still later, as social evolution proceeded, physical violence was prohibited, and tribunals were provided for the adjustment of large classes of cases, especially those relating to rights in property. The social interest in the preservation of order, and the maintenance of rights, finally advanced to that point that certain infractions of law came to be regarded as criminal—as acts directed against society itself. Burglary is not a private affair between a burglar and a person burglarized, but a public matter, of which the state takes cognizance. And means are provided for the settlement of quarrels relating to property interests, and adequate force is at hand to compel obedience to judicial decisions. “Contempt of court” is severely punished, because public order and peace turn upon respect for judicial decisions as something pivotal.

This line of thought naturally suggests an extension of public authority in such manner that provision may be made for the settlement of controversies between employers and employees. The chief point to be borne in mind is that these industrial disputes, with their resulting industrial warfare, are no longer private matters. In early

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times the private interest was indeed the dominant one, because production was chiefly an individual matter. Not long ago, over a large section of the civilized world, the ideal was the economic self-sufficiency of the household. Production and exchange are now social processes, and are no longer capable of regulation by individual action. Consolidation of railways has been proceeding rapidly for more than a generation, and now, closely connected with this consolidation, we have our epoch-making so-called trust movement. It has now come to pass that a few men, so few that they can easily be gathered together in a single room, control a considerable percentage of all the capital of the United States, and direct the employment of a large fractional part of the labor power of our country. This means economic solidarity such as the world has never known before. The difference in degree comes to mean a difference in kind. The new social character of industry is recognized alike by the most conservative economists and the most thoughtful masters of men.

The prevention of strikes means simply this: we must open our eyes to the clear implications of our growing economic solidarity. The orderly and peaceful operation of our industrial mechanism is a matter of public concern, and must be secured by social action of one sort or another. It is suggested by the writer that, as the first step in effective efforts to secure industrial peace, the industries of the country should be classified with

respect to the degree of public concern in their continuous operation. We may begin with those in which the public concern is at the lowest point, when we consider industries from our present point of view. We place in this category all businesses in which the relation between employer and employee is essentially individual in character. Farming affords the best illustration. The American farmer frequently has no employee at all. Many farmers have a single male employee, and occasionally we find farmers with two or more "hired men," as we generally call them in this country. The relation of the one who employs and the one who is employed is almost universally an individual one, and the contract is in the true sense of the term an individual contract. There is close personal association as a general rule, the farmer and his man working together, frequently eating at the same table, even if the farmer does look upon himself and family as belonging to a superior rank in society. Small mercantile and manufacturing establishments with two or three employees would belong to the same category, unless indeed either the employees or employers, or both, belong to some larger organization and act with this larger organization. In the household the relation between mistress and servant, both in the country and in the city is similar, except that in the city, at least, there is felt to be a greater separation in social rank. There is no industry which, as a whole, it is more important should be continu-

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ously operated than farming; but the public interest in any one farm is relatively a very small matter. It is desirable that the employers and employees who belong to this class should live peaceably together, as it is that all men should live in peace with one another. The exhortations which are found in the Bible and in other sacred writings, as well as in the works of the ethical teachers of the ages, are here applicable. Eye service is to be avoided, and the employer should be considerate. The strong must bear the burdens of the weak, and a reasonable degree of contentment on the part of the employee is a virtue. It is desirable that there should be some local board or magistrate to which disputes between employer and employee, as well as other disputes, could be referred in an informal manner, when parties desire to do so. Some practicable plan of conciliation adapted to conditions of time and place might perhaps be devised. In the Bible Christians are exhorted to refer their differences to officers of the church, and a plan of procedure is outlined. The difficulty at present is, on the one hand, that men are divided into so many different sects recognizing no common church authority, and on the other that the hold of the church upon the masses of men is weak. Where, as among the Mormons, a larger portion of the population belong to a single religious organization, more or less effective measures for the maintenance of peace in cases such as we have now under consideration are feasible, and it

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is said that among the Mormons great good has been accomplished by well-devised plans for the maintenance of peace in their relations among themselves.

Where we have large capitalistic enterprises a different condition of things greets us. A large capitalistic enterprise implies most closely associated units of capital power, furnished generally by a great many different persons. All those who furnish capital act together absolutely as one man when they confront their employees. The employees are a group by themselves. The size of the business unit gives a greater public interest in its operation, especially as in such cases the employees very generally are associated in unions, and to an ever increasing extent the employers are associated also in unions of their own. Generally speaking, the formation of trade boards of conciliation and arbitration, as sketched in the preceding chapter, is a very effective agency in the maintenance of industrial peace. Sometimes something more than these trade boards is required. The appeal to these trade boards should be voluntary, and the obedience to their decisions should also be voluntary. In this second class of industries, which would have to be more or less arbitrarily defined as comprising all establishments with a given amount of capital and a given number of employees, it is worth while to give careful attention to the suggestion of the Industrial Commission that those who begin a strike or lockout, without first sub-

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mitting the case to some kind of board of arbitration, should be liable to fine or other penalty. The details would have to be worked out with a great deal of care. In addition to voluntary trade boards of conciliation and arbitration, state boards modelled after the Massachusetts plan are essential. Whenever there is any notorious and long-continued disturbance of industrial peace, or in case of requests from the local or state government, the state board should intervene. The state board should be equipped with power to conduct investigations, which means, also, power to secure the information which is of public importance. The report of the case should also be given publicity. What is here desired is compulsory inquiry with publicity. This is sometimes, although with scarcely a correct use of language, spoken of as compulsory arbitration without the enforcement of decisions.

In a class above this group should be placed those industries the continuous operation of which is of still greater importance. Here we place coal mining and the larger manufacturing concerns. It again would be necessary to define the size of the manufacturing enterprise, or other business establishment, which would place it in this class. All the great trusts should be treated as a single enterprise, although they may have factories located in various places, inasmuch as each trust combination operates as a unity. In this class of industries it is recommended that we

should have everything short of the absolutely compulsory acceptance of the awards of a board of arbitration. There should be a heavy penalty for a strike or lockout without first going through all the prescribed steps to arbitrate the difficulty.

Naturally, railways, telegraph lines, and generally the agencies of transportation and communication, together with lighting plants and other so-called local "public utilities," belong in a still higher class in which the social interest asserts itself most vigorously. Here clearly the interest of society is paramount, and the duty of preserving the continuous operation of these industries is like that of the prevention of crime. In other words, in these particular cases we should have courts of conciliation and arbitration with adequate power to settle disputes without a recourse to private industrial warfare.

One important consideration is that no public board of conciliation and arbitration should ever be clothed with so little power as to render it contemptible. The reasons why a feeble board can accomplish nothing are similar to those which would render judges of little use if contempt of court were permissible.

Mention has been made in the preceding chapter of President Hadley's objection to compulsory arbitration, namely, that it might lead to public ownership of industries. It is true that we cannot compel capital to invest in an industry which is relatively unprofitable, and it is also true that boards of arbi-



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tration could make awards which would lead either to the withdrawal of private capital or the refusal of private capitalists to make further investments in the industry placed under compulsory arbitration. Is there, however, a probability that compulsory boards would make awards of this sort? A board with such powers would be comparable in its importance to the Supreme Court of the United States, and if it were established it is to be supposed that men of like integrity and capacity would be appointed. Certain rules would have to be worked out concerning equity in distribution, and such rules, as a matter of fact, are gradually being evolved by legislative bodies and courts in this and other lands. The Irish land courts may be cited as an example, for it has been their function in the determination of land rents to distribute the product between labor, capital, and land, and even if the results are by no means entirely satisfactory, those who read the decisions will see that a beginning has been made in the elaboration of rules for equitable distribution. With the increase in monopolies, the legislatures and courts are to an ever increasing extent fixing fair wages and fair prices. One thing which is obviously impracticable is that arbitration should always mean a compromise between demands on the two sides, for if that were the case there would be a continual increase in wages, and an encouragement of ungrounded demands.

Economic theory is concerning itself with principles which can be made the basis of the awards

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of boards of arbitration. Professor John B. Clark has worked out a theory of wages which, in his opinion, enables us to ascertain the true product of labor, which should be then assigned to labor. What labor receives under perfectly free competition, "with labor ideally mobile" is, he says, the true product of labor. "The really natural standard of pay lies between the amount that idle men may here and there consent to take and the amount that a union which guards its monopoly by force may be able to extort; and it lies at about the level of what a union that is extended and efficient but not monopolistic can get. The standard that is so indicated would be one which well-constituted courts would recognize. They would not give the smallest amounts that would be accepted by destitute men nor the largest amounts that an exclusive union might extort, but would rather give about what men in a normal union could produce and get; and there is little doubt that in thus acting they would keep the pay of labor at least as near its natural level as it now is. They would afford some approach to the state in which the shoemaker would get his fair share of the value of the shoe made in the mill that employs him, in which miners would get a fair share of the value of coal, and weavers a just portion of the value of cloth."<sup>1</sup> Professor Clark would have the unions freely admit all qualified workers in their respective

<sup>1</sup> *Vide* Professor John B. Clark's article "Is Authoritative Arbitration Inevitable?" *Political Science Quarterly*, December, 1902.

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branches, and would favor measures opposed to monopoly privileges for any class of wage-earners secured by limiting the number of men allowed to learn and practice the various crafts. His idea is to remove alike the monopoly element from labor organization and capital organization in order to secure fair distribution, and courts of arbitration, he thinks, should attempt to ascertain the actual product of labor in the manner which he describes.

While there are many who will not accept this theory of wages, there are other methods which, as already indicated, are being elaborated for determining fair wages and fair profits. The great point is that the movement is not merely theoretical, but actually in progress. Doubtless also, even if boards of arbitration might have varying views concerning the true theory of wages, they would, if composed of competent men, reach similar results in the actual awards.

Furthermore, it may be inquired whether there is not greater danger of an undue extension of public ownership if present conditions are allowed to continue unchecked. Certainly public ownership in the United States never received so great a stimulus as that given it by the strike in the anthracite coal regions in Pennsylvania in 1902.

The position which we are now considering takes for granted that public ownership is not desirable, but it is legitimate to raise the question to what extent public ownership, either temporarily or permanently, is desirable. It is at least possible

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that, in mining, the Prussian system of public ownership of the treasures below the surface of the earth with private operation, or possibly a mixed system of public and private operation, as in Prussia, would be desirable. Grounds have already been given for the view that public ownership of local public utilities, so called, is the ideally correct system. Into all this we do not propose to enter at the present time.

We observe two contradictory tendencies among us. There is undoubtedly a certain toleration of lawlessness on the part of strikers, as Professor Clark has well said, and the reason for this is that there is a general feeling that the rights of labor are not adequately protected. Most men feel that, confronted by the vast corporations of our day, the workingmen do not receive their fair share of the product, and that they are subject to grave abuses. The absence of satisfactory industrial tribunals to secure justice is an encouragement to this unfortunate feeling. On the other hand, there is a surprising toleration of the astonishing extension of the use of injunctions. We have now before us three leading cases of this kind. We have, in the first place, the Ann Arbor case, in which Judge Ricks enjoined the chief of the Brotherhood of Locomotive Engineers from ordering a strike.<sup>1</sup> Second is the injunction by Judge Jenkins when

<sup>1</sup> Ann Arbor & North Mich. Ry. Co., et al. v. Penn. Co., et al., 54 Fed. Rep. 730, opinion of Circuit Judge Taft; and same volume 746, opinion by District Judge Rich, adjudging a locomotive en-

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the Northern Pacific Railroad was in the hands of receivers. Judge Jenkins ordered the employees not to enter into any combination with a view of quitting the service of their employers.<sup>1</sup> A part of the order of Judge Jenkins was reversed by the Circuit Court of Appeals, and a part of it was allowed to stand.<sup>2</sup> Then, in the third place, we have the restraining order of Judge Adams, of the United States District Court of St. Louis, in March of the current year, in the case of the employees of the Wabash Railway Company. The restraining order enjoins officers of various organizations of railway employees from "ordering, coercing, persuading, inducing or otherwise causing, directly or indirectly, the employees of the said Wabash Railway Company to strike or quit the service of the said railway company." In an opinion delivered April 1, 1903, Judge Adams denied the motion for a preliminary injunction and vacated the ad interim restraining order.<sup>3</sup> A restraining order or temporary injunction, however, may render the case of the employees hopeless, discourag-

gineer in contempt for refusing to handle cars of a connecting railway company in disobedience to a previous injunction.

<sup>1</sup> Farmers Loan & Trust Co. v. Northern Pacific Ry. Co., et al., April 1, 1894. 60 Federal Reporter, 803.

<sup>2</sup> Arthur, et al. v. Oakes, et al., Circuit Court of Appeals, seventh Circuit, October 1, 1894, 60 Fed. Rep. 310. Opinion by Harlan, Circuit Justice.

<sup>3</sup> Circuit Court of the United States for the Eastern Division of the Eastern District of Missouri. Wabash Railroad Co. v. John J. Hannahan, et al.

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ing them at the outset and giving the employers every opportunity to prepare for the strike if the injunction is maintained. It avails not that the employees may quit one by one, because one by one they are comparatively helpless. We have to do here, not with individual bargaining, which is out of the question. We have great groups of workingmen treating with an immense amount of highly organized capital.

Why is it that we find this toleration of injunctions? It is the reverse of the picture which is presented to us in the toleration of a certain degree of violence in the case of strikes. It is felt that the continuous operation of the railways is a matter of paramount consideration, and that individual interests must not stand in the way of the general social interest, but it is impossible to hope that workers can permanently be forced to continue their services or be restrained from seeking their interests in organization, and by the effective use of organization to attain their purposes. The injunctions which have been recently so numerous, and which have been so sweeping, can hardly be regarded as otherwise than a first step already taken in the direction of compulsory arbitration.

We have had strikes in model establishments, and the recent case of the National Cash Register Company at Dayton, Ohio, is especially painful to altruistically inclined people. Yet it was never reasonable to suppose that in our democratic age benevolence alone could avert strikes. The develop-

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ment of ideas of justice and the establishment of agencies to secure mutual justice between employer and employed must be placed in the first rank. Let benevolence then be added to justice.

One thought more, even if it is a virtual repetition of what has already been said: The era of individual bargaining has passed away in transportation, and is very nearly a thing of the past in all large-scale production. We must adjust ourselves to collective bargains between organized labor on the one hand, and organized capital on the other. Not suppression of organization, but regulation of organization, must be our watchword.

### LITERATURE

A voluminous literature has appeared on this subject, but a considerable part of it consists of reports not easily accessible, and most of it was written too long ago to take account of present forces, and consequently it does not wholly apply to the conditions which now exist. A few references only will be given, but these are sufficient for the general reader.

LOWELL, JOSEPHINE SHAW, *Industrial Arbitration and Conciliation*. New York. 1894.

PRICE, L. L. F. R., *Industrial Peace*. London, 1887. This work has a preface by Professor Alfred Marshall, and, like the preceding book, gives a very good survey of conditions then existing, with an argument for conciliation and arbitration based upon these conditions.

LLOYD, HENRY D., *Newest England*. New York. 1900. Describes compulsory arbitration in New Zealand.

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WRIGHT, CARROLL D., *Industrial Conciliation and Arbitration*. Boston, 1881. This was compiled, as we are told on the title-page, from material in the possession of the Massachusetts Bureau of Statistics of Labor, by direction of the Massachusetts legislature. Especial attention is given to the arrangements then existing in England and in Massachusetts.

For present purposes, probably the best single work is the Report of the National Conference on Industrial Conciliation held under the auspices of the National Civic Federation in New York City, December, 1901. In December, 1902, another conference was held which was called simply Industrial Conference. We find conciliation and arbitration taking a prominent position among other topics discussed. The National Civic Federation (Mr. Ralph M. Easley, secretary; address, Fourth Avenue and 22d Street, New York City) has given special attention to industrial conciliation and arbitration, and has undoubtedly exercised a strong influence in favor of voluntary methods, and those who have taken part in the conference have generally opposed what is, strictly speaking, compulsory arbitration, although compulsory investigation has been strongly favored. See, for example, the address in the volume of Proceedings of the Industrial Conference, by Hon. Charles Francis Adams, entitled *Investigation and Publicity as opposed to Compulsory Arbitration*. In this same volume, the address by Professor John Graham Brooks, entitled *Trade Agreements*, deserves special attention.



# APPENDIX

## THE CHICAGO *INTEROCEAN* AGREEMENT

The following is given as one type of a trade agreement. It illustrates collective bargaining between the employer and associated trade-unions, which is a step beyond bargaining between an employer and a single trade-union.<sup>1</sup>

AGREEMENT BETWEEN CHICAGO TYPOGRAPHICAL UNION NO. 16 AND ALLIED PRINTING TRADES AND THE INTEROCEAN PUBLISHING COMPANY. SIGNED MARCH 22, 1899.

This agreement, made and entered into this 22d day of March, 1899, by and between the Interocean Publishing Company, through its authorized representatives, the party of the first part, and the subordinate unions of the International Typographical Union of the City of Chicago, consisting of Chicago Typographical Union No. 16, Chicago Stereotypers' Union No. 4, Chicago Mailers' Union No. 2, and Chicago Photo-engravers' Union No. 5; and the subordinate unions of the International Printing Pressmen and Assistants' Union, consisting of Chicago Newspaper Web Pressmen's Union No. 81 and Chicago Assistants and Web Press Helpers' Union No. 4, by their committees duly authorized to act in their behalf, parties of the second part,

WITNESSETH, that from and after Wednesday, March 22, 1899, and for a term of five years, ending March 22, 1904, and for such a reasonable time thereafter (not exceeding thirty days) as may be required for the negotiation of a new agreement, the newspaper represented by the said party of the first part binds itself to the employment, in its composing room and the departments thereof, of mechanics and workmen who

<sup>1</sup> For this agreement the writer is indebted to Dr. Margaret A. Schaffner, instructor in economics and sociology, University of Iowa. It forms part of her exhaustive, but as yet unpublished, monograph on "The Labor Contract."

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are members of Chicago Typographical Union No. 16; in its stereotyping room to stereotypers who are members of Chicago Stereotypers' Union No. 4; in its mail room to mailers who are members of Chicago Mailers' Union No. 2; in its photo-engraving department to photo-engravers who are members of Chicago Photo-engravers' Union No. 5; in its press room to pressmen and assistants who are members of Chicago Newspaper Web Pressmen's Union No. 81, and Chicago Assistant Web Pressmen and Helpers' Union, and agrees to respect and observe the conditions imposed by the constitutions, by-laws, and scales of prices of aforesaid organizations, copies of which are hereunto attached and made a part of this agreement.

And it is further agreed that aforesaid constitutions and by-laws may be amended by said parties of the second part without the consent of the party of the first part: provided, however, that such changes do not in any way conflict with the terms of the scales and rules as set forth in this contract.

It is further agreed that the scale of prices of the Chicago Typographical Union No. 16, adopted March 17, 1897, shall continue without change, during the life of this contract, except as may be mutually agreed between the parties hereto.

A standing committee of two representatives of the party of the first part, and a like committee of two representing the parties of the second part, shall be appointed; the committee representing the parties of the second part shall be selected by the union whose interests are directly affected; and in case of a vacancy, absence, or refusal of either of such representatives to act, another shall be appointed in his place, to whom shall be referred all questions which may arise as to the scale of prices, the construction to be placed upon any clauses of the agreement, or alleged violations thereof, which cannot be settled otherwise, and that such joint committee shall meet when any question of difference shall have been referred to it for decision by the executive officers of either party to this agreement, and should the joint committee be unable to agree, then it shall refer the matter to a board of arbitration, the

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representatives of each party to this agreement to select one arbiter, and the two to agree upon a third. The decision of this board shall be final and binding upon both parties.

The party of the first part hereby agrees that he shall not, during the continuance of this agreement, introduce into his composing room any font of type that shall be leaner than the leanest corresponding type now in use in any one of the offices in the city of Chicago; provided, that if any font of type leaner than the leanest corresponding type now in use by the party of the first part, but up to the International Typographical Union standard, shall be introduced by the party of the first part, the difference in measurement between the type introduced and its corresponding type now in use shall be given to the compositor.

It is agreed that should the International Typographical Union and the American Newspaper Publishers' Association mutually adopt a new standard for the measurement of type, said standard shall be used in the Interocean office under the jurisdiction of the parties to this agreement, and that, if said standard shall necessitate a new scale of wages, said scale shall, if possible, be fixed by the Joint Standing Committee of the two parties to this agreement; and that, should said committee fail to agree, the question shall be submitted to a board of arbitration, as above provided for, the decision of said board to be binding upon both parties to this agreement.

It is further agreed by the party of the first part that in the event of the substitution of machines other than the Linotype, for hand composition or distribution, a scale of wages may be agreed upon by the joint committee of the parties to this agreement; but if no satisfactory conclusion can be reached, the matter shall be referred for final settlement to a board of arbitration as above provided for.

It is agreed by the said parties of the second part that for and in consideration of the covenants entered into and agreed to by said party of the first part, the said parties of the second part shall at all times during the life of this agreement truly and faithfully discharge the obligations imposed upon them

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by furnishing men capable of performing the work required in the various mechanical departments of the party of the first part.

It is agreed that both the language and the spirit of this contract between the Interocean Publishing Company, party of the first part, and the organizations known as Chicago Typographical Union No. 16, Chicago Stereotypers' Union No. 4, Chicago Mailers' Union No. 2, and Chicago Photo-engravers' Union No. 5, being trade-unions chartered by and under the jurisdiction of the International Typographical Union, an organization having its headquarters at Indianapolis, Indiana, and Chicago Newspaper Web Pressmen's Union No. 81, and Chicago Assistants and Web Pressmen and Helpers' Union, organizations chartered by and under the jurisdiction of the International Printing Pressmen and Assistants' Union of North America, by their committees duly authorized to act in their behalf, parties of the second part, make it imperatively obligatory on both parties whenever any difference of opinion as to the rights of the parties under the contract shall arise, or whenever any dispute as to the construction of the contract or any of its provisions takes place, at once to appeal to the duly constituted authority under the contract, viz., the Joint Standing Committee, to the end that fruitless controversy shall be avoided and good feeling and harmonious relations be maintained, and the regular and orderly prosecution of the business in which the parties have a community of interest be insured beyond the possibility of interruption.

It is further stipulated and agreed that the party of the first part shall not now or during the life of this contract enter into any association or combination hostile to the printing trade-unions, nor shall it at any time render assistance to such hostile combination or association by suspension of publication or any other act calculated to injure the printing trade-unions.

And the party of the second part hereby agrees to enter into no combination or association with the intent or purpose of injuring the Interocean Publishing Company or its prop-

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erty, and shall not be a party to any hostile act with similar intent.

In witness whereof, we have hereunto set our hands and seals this 22d day of March, 1899.

The Interocean Publishing Company,

By W. F. FURBECK, *President*.

WM. PENN NIXON, *Secretary*.

Chicago Typographical Union No. 16,

By JOHN MCPARLAND.

A. C. RICE.

Chicago Stereotypers' Union No. 4,

By R. B. PRENDERGAST.

JOHN S. HEALY.

Chicago Mailers' Union No. 2,

By J. J. KINSLEY.

WM. MCINERNEY.

Chicago Photo-engravers' Union No. 5,

By J. S. FALKINBURG.

G. A. GINK.

Chicago Newspaper Web Pressmen's Union No. 81,

By THOS. P. FITZGERALD.

E. W. CARR.

Chicago Assistants and Web Press Helpers' Union  
No. 4.

By P. C. MCKAY.

WILLIAM E. HILL.

This contract is entered into by and with the consent of the International Typographical Union, an organization to which the party of the first part concedes jurisdiction and control over trade organizations in all mechanical departments of the party of the first part, with the exception of the press room; and this contract is entered into by and with the consent of the International Printing Pressmen and Assistants' Union of North America, to which organization the party of the first part concedes jurisdiction over trade organizations controlling all employees of the press room, and the Interna-

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tional Typographical Union, through its authorized representative, and the International Printing Pressmen and Assistants' Union, through its authorized representative, do hereby severally agree to protect the party of the first part in case of violation of the agreement by any of the said parties of the second part under the respective jurisdiction of said international unions, but such unions shall not be guarantors as to each other.

In witness whereof, We have hereunto set our hands and seals, this 22d day of March, 1899.

SAMUEL B. DONNELLY,  
*President International Typographical Union.*

JAMES H. BOWMAN,  
*President International Printing Pressmen and Assistants' Union.*

JOHN G. DERFLINGER.

## CHAPTER XI

### INDUSTRIAL LIBERTY

THE year 1776 is an epoch-making date in the history of liberty. Every American associates 1776 with the Declaration of Independence, which, however we may look upon it — and all modern criticism, just and unjust, to the contrary, notwithstanding — ranks among the greatest and grandest documents of the world's history. It is there asserted, as something axiomatic, as something belonging to the realm of natural law, that liberty is an inalienable right of all men. You all recall the precise words: "We hold these truths to be self-evident; that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness." It is furthermore asserted that the very purpose of the institution of government is to secure these rights, and that every government derives its just powers from the consent of the governed.

But the year 1776 witnessed the appearance of a book which so admirably presented the eighteenth century philosophy of industrial liberty, that by common consent of the intelligent it

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ranks among the world's greatest books. I refer to Adam Smith's "Wealth of Nations," which occupies a pivotal position in modern economic thought, earlier works preparing the way for this masterpiece, and subsequent works in economics resting upon the "Wealth of Nations" as a foundation. So profound has been its influence that the centennial of its appearance was deemed worthy of a celebration. Placing it below the Declaration of Independence in its power over human destinies, nevertheless, I dare to place it in the first rank of publications which deal with human liberty.

The spirit of the age in which he wrote breathes through Adam Smith's "Wealth of Nations." This spirit is a world spirit, and the age is cosmopolitan. This spirit finds its most logical, its clearest and fullest expression in the French philosophy and the French public life of the latter part of the eighteenth century. Liberty, equality, and fraternity are made the watchwords of the republic.

When we examine the treatment of liberty in the great historical works of this age, we must be impressed with the simplicity of the problem of liberty as then conceived. Liberty is thought of as a unity, and not as a complex conception, or bundle of rights. Moreover, we find that liberty is presented in its negative aspects. Restrictions and restraints are found upon liberty, and it is thought that once we clear these away, liberty will assert itself as a benign force.

As in the motto of the French republic, so in the



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Declaration of Independence, and in Adam Smith's "Wealth of Nations," liberty is associated with equality. Natural equality is held to be a fundamental fact, and not by any means a goal to be reached slowly and painfully. Adam Smith looks upon the bricklayer and the statesman as equal in nature, holding that the vast differences between them are due to the varied effects of environment. Had the environment been changed, the statesman would have been the bricklayer and the bricklayer the statesman. This theory of equality runs, as a red thread, through the entire social philosophy of that age, and must be borne in mind by one who would understand the theoretical and practical conclusions reached by that philosophy. The problem which presented itself to our forefathers, and to French statesmen, as well as to English thinkers, was essentially negative. Restrictions must be removed. Favoritism must be abolished, and the laws making possible restrictions and favoritism must be repealed. The restrictions upon liberty which were then noticed were restrictions of a political nature. Consequently the problem of liberty was conceived to be essentially a political problem, as well as a negative one.

Closely associated with this doctrine of equality was the doctrine of the beneficence of self-interest. Inasmuch as men were essentially equal, each one could best guard his own interests individually, provided only the hampering fetters of the law should make way for a reign of liberty. Time

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does not permit me to follow out, as I should like, the development of this negative view of liberty, which I have presented. From it we may trace out a very clearly marked line of evolution of thought, and a somewhat less clearly marked line of evolution of political practice. Through various writers we reach Herbert Spencer's treatment of liberty as a negative and political problem. The great enemy of freedom, he holds, is the state manifesting itself in laws directing human activity, and in his opinion leading inevitably to slavery, unless the flow of legislation is in some way checked. We find Herbert Spencer preaching his doctrine of liberty in his "Social Statics" in 1851, and asserting in it the right of man to disregard the state, and in more recent times he expounds his doctrine in articles bearing such titles as these: "The Coming Slavery," "The Sins of Legislators," "The Great Political Superstition."

It is but one step from Herbert Spencer to philosophical anarchy which in the interests of liberty would abolish the state altogether. We thus reach the termination of one line of logical evolution of liberty, conceived negatively, as something which may exist if political restraints and restrictions upon action are once removed. Very early, however, those whose interests led them to approach social and economic questions from a different point of view, as well as those who examined the problem of liberty more broadly and deeply, began to qualify the theory of liberty which we have just

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examined. John Stuart Mill occupies an interesting position in the development of the philosophy of liberty, as in him we see radically antagonistic views struggling with each other for mastery. He was brought up a firm adherent of the eighteenth-century social philosophy, but was obliged to qualify it increasingly, as he grew older and gained larger knowledge as a result of broadening experience and deeper thought. On the one hand, in the interests of liberty he would prohibit lifelong marriage contracts. On the other hand, he sees the limitations imposed upon freedom of action in the social and economic order, and looks forward to a time of collective ownership of land and capital, although he does not profess to see how this collective ownership is to be managed so as to avoid new restrictions upon liberty.

Another stage in the development of thought is clearly reached in the writings of the English philosopher, Thomas Hill Green,<sup>1</sup> who breaks away altogether from the conception of liberty as something to be achieved by negative, political action, holding that true liberty means the expression of positive powers of the individual, and that it can be reached only as a result of a long and arduous constructive process. Green tells us in these words what he means by liberty or freedom: "We do not mean merely freedom from restraint or compulsion. We do not mean merely freedom to

<sup>1</sup> T. H. Green, "Liberal Legislation and Freedom of Contract," Works, Vol. III, pp. 365-386.

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do as we like irrespectively of what it is that we like. We do not mean a freedom that can be enjoyed by one man, or one set of men, at the cost of a loss of freedom to others. When we speak of freedom as something to be highly prized, we mean a positive power or capacity of doing or enjoying something worth doing or enjoying, and that, too, something that we do or enjoy in common with others. We mean by it a power which each man exercises through the help or security given him by his fellow-men, and which he in turn helps to secure for them. When we measure the progress of a society by the growth in freedom, we measure it by the increasing development and exercise on the whole of those powers of contributing to social good with which we believe the members of the society to be endowed; in short, by the greater power on the part of the citizens as a body to make the most and best of themselves."

As anarchy gives us the logical outcome of one line of thought concerning liberty, so we find another line of thought regarding liberty, going far beyond the necessary implications of Green's position, and terminating in the opposite extreme — socialism.

As Adam Smith's philosophy of liberty is an expression of the eighteenth century, Thomas Hill Green's view may be looked upon as an expression of the philosophy of liberty with which the twentieth century opens. There are various

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reasons for this change of view. One of the most fundamental is, perhaps, found in the fact that we have discovered human nature to be a more complex thing than it was thought to be in the last quarter of the eighteenth century. Instead of a very simple psychology, we have a very complex psychology underlying our twentieth-century thought. Inequalities among men we now know are natural, or the natural outcome of the kind of a world in which we live, inhabited by our kind of beings. Men are what they are as a result of heredity, as well as environment. Moreover, we have a heredity of environment itself, which is felicitously termed social heredity. The outcome of this is found in the fact now clearly perceived by those who think deeply on such subjects, that in contract men who are in one way or another unequals, face each other, and that their inequality expresses itself in the contracts which determine their economic condition.

Another cause of the change in view concerning the achievement of liberty is found in the growing complexity of society, especially on its economic side. Men are brought into society in a real and vital sense by the relations existing among them, and these relations have multiplied enormously during the past century. The economic ties uniting men in society were relatively few and simple in 1776. Their growth, extensively and intensively, is a matter of familiar knowledge at the present time. It is a mere truism to say that

our well-being in industrial matters depends on others, as well as on ourselves. Our economic well-being is an outcome of satisfactory relations existing between the individual and society. Now these relations which bind man to his fellow-men are to only a limited extent of a political nature. Consequently it follows that restrictions upon liberty are, for the most part, outside of and beyond government. Furthermore, the problem of liberty is only to a minor extent a political problem. And as it is only to a minor extent a political problem, it can never, in any true sense, be secured by a mere repeal of political laws, nor indeed by a mere enactment of political laws. Neither removal of politico-economic restrictions upon freedom of trade, nor enactment of universal suffrage, can give us more than a small fractional part of liberty.

Our own familiar, everyday experience teaches us that restrictions upon our positive liberty of action are mainly due to the coercion of economic forces. This coercion of economic forces manifests itself in many ways, but largely in and through contract competitively formed. This is seen, first of all, in what may be called the *problem of the twentieth man*. Nineteen men wish to pursue a certain course of economic action, but are coerced competitively by the twentieth into a line of conduct which they dislike. Nineteen barbers in the city of Madison, Wis., wished to close their shops on Sunday; the twentieth would not agree to

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close his, and consequently all the twenty were, and still are, kept open. Nineteen men may desire to work ten hours a day, and may be coerced by the twentieth into working fourteen hours a day. Apparently they are all working fourteen hours a day because they choose to do so ; but the choice is not a free one, in any true sense of the word. Even the twentieth man prefers to work ten hours a day, but yields to pressure for the sake of a temporary advantage, and so he is likewise coerced. The freedom which thus expresses itself in contract is in certain cases like the freedom of a slave, who chooses to work rather than to suffer under the lash.

The coercion of economic forces is largely due to the unequal strength of those who make a contract, for back of contract lies inequality in strength of those who form the contract. Contract does not change existing inequalities and forces, but is simply the medium through which they find expression. Wealth and poverty, plenty and hunger, nakedness and warm clothing, ignorance and learning, face each other in contract, and find expression in and through contract. According to the theory of Pufendorf, one of the great jurists of his day, slavery is, historically, an outcome of contract. I do not think, myself, that this is a correct view of slavery as a whole ; but it unquestionably explains slavery in many instances. Even in our own day contracts have been formed which have been denounced from the bench as virtual slavery.

I have in mind particularly the well-known cases which, in the present year, were brought before Judge W. C. Bennett in Columbia, S.C. It appears in the statement of the case by the Judge that negroes entered into contracts whereby they surrendered nearly, if not quite all, those rights which we associate with a condition of freedom. The form of the contract includes the following:—

“I agree at all times to be subject to the orders and commands of said \_\_\_\_\_ or his agents, perform all work required of me \_\_\_\_\_ or his agents shall have the right to use such force as he or his agents may deem necessary to compel me to remain on his farm and to perform good and satisfactory services. He shall have the right to lock me up for safekeeping, work me under the rules and regulations of his farm, and if I should leave his farm or run away he shall have the right to offer and pay a reward of not exceeding \$25 for my capture and return, together with the expenses of same, which amount so advanced, together with any other indebtedness, I may owe \_\_\_\_\_ at the expiration of above time, I agree to work out under all rules and regulations of this contract at same wages as above, commencing \_\_\_\_\_ and ending \_\_\_\_\_.

“The said \_\_\_\_\_ shall have the right to transfer his interest in this contract to any other party, and I agree to continue work for said assignee same as the original party of the first part.”

Judge Bennett, in addressing his grand jury, declared that this nominally free contract “reduced the laborer to a position worse than slavery.” In



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charging the grand jury he said, "No free man in this commonwealth nor any other free country can be permitted, even if he desires to do so, to barter away his liberty and make himself a chattel; and that is what this contract attempts to do." The Judge spoke of it as most pitiful of all that the poor negroes who had formed such a contract should profess "to be satisfied and contented."

The sale of children by their parents in times of distress is a frequent phenomenon in many Oriental countries; and prostitution and slavery can in those countries even to-day often be traced back to contracts of one sort or another.

We have in these instances a very extreme form of the inequality expressed in and through contract, nominally free. What is seen in these cases in extreme form can be seen in lesser degree on every hand, even in the most civilized nations.<sup>1</sup> We see from all this that contract gives expression to inequalities, and allows existing social forces to flow on, involving in some cases a perpetuation and deepening of degradation.

Furthermore, we have lying back of free contract the great institutions of society, property, and the inheritance of property, and vested interests. In short, all that passes down from generation to generation lies back of contract and expresses itself in and through contract.

As a result of the nature of man, of the condi-

<sup>1</sup> The *Outlook* in its issue of July 16, 1898, has this to say of the contract labor system in Hawaii, "A contract labor system is in

tions of existence in a world like ours, and of the great historical institutions which have come down to us, men exist in classes. These classes, in modern times, rest upon an economic foundation. Even the political classes of earlier days had, in the beginning, an economic basis; but the older political classes are, in our day, a comparatively small matter.

The existence of classes, which is absolutely necessary, resting upon a foundation beyond the power of man to control, gives complexity to our problem of liberty. A modern jurist<sup>1</sup> has used these words, which have a profound significance in our discussion of the problem of liberty, "There is no greater inequality than the equal treatment of unequals."

The problem of liberty includes the problem of suitable control over the relations which exist among men; for these relations determine the conditions of our social existence. These relations may be considered individually and socially, and the social action may be either of private or public character. The action of a trade-union in its endeavor to secure favorable relations is private

existence in the island which differs only in one degree from slavery — a labor system wholly opposed to American ideas."

<sup>1</sup> Professor Anton Menger, of the University of Vienna.

One finds a similar thought admirably expressed by Aristotle in his *Politics* (III, 9, § 1) where he says, "Justice is thought . . . to be and is equality; not, however, for all, but only for equals. And inequality is thought to be, and is, justice; neither is this for all, but only for unequals."

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social action; a statute determining the length of the working day is public social action; and both alike aim, successfully or unsuccessfully as the case may be, to promote liberty. All action which endeavors to remove ignorance and superstition and to strengthen the individual, mentally, morally, and physically, is action which endeavors to promote liberty. Necessarily, social action which determines or regulates in any way the relations of men among themselves must restrict freedom of movement at some point, but where it is wise it increases it more than correspondingly at other points. If we have restriction upon liberty called  $2a$ , we have in the case of wise social action an increment of liberty which is certainly  $2a$  plus something else. The employer may not hire the services of little children, and his liberty to do so is restricted; but the liberty of the children is increased. They are freed from toil, and when provision is made for their wise education and upbringing, their powers are increased, and they have many fold the liberty to employ themselves in the service of their fellows for their own benefit.

We thus have a vast body of legislation in and through which society seeks liberty. This legislation modifies and qualifies nominally free contract, because nominally free contract may mean servitude of various kinds and various degrees. The aim is the increase of liberty in the positive sense.

Education is one of the lines along which modern

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society works to secure liberty. It cultivates and enlightens the mind, frees it from enslaving superstition; and where it is industrial, it cultivates economic powers and aids us in adjusting ourselves in the relations of complex economic society.

Modern legislation, even reluctantly and against the force of prejudice, recognizes increasingly the existence of classes, and the inequalities of powers among human beings. We have one great class in the community, children, for whom we have special laws. Women are another great class, with a nature different from that of men, and with special needs of their own. We have the farmers, we have the class of men engaged in transportation, the men who work for wages, all with their special needs and peculiarities, finding expression in laws applicable to the class to which they belong. To use an expression of Judge Cooley in his "Constitutional Limitations," we have here simply the recognition of "distinctions that exist in the nature of things."

It would be interesting, if time permitted, to show how many different kinds of legal inequality there may be where we have nominal legal equality. I can refer here only briefly to one or two points. We have inequality in power to secure needed laws. Consequently we have societies and social action in order to secure needed legislation for those who by themselves are not strong enough to gain the ends sought. The street-car employees of Baltimore, some years ago, desired to have their

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hours of labor reduced from seventeen hours and twenty minutes a day to twelve hours, and by social action, in which many of the men of Baltimore, most eminent in church and state and in private fields, participated, a twelve-hour day was secured.

There is inequality on account of the knowledge of law on the part of the various classes, and in the power to avail one's self of the law. Consequently, we have societies formed to remedy this evil, and to promote that liberty which comes from balanced powers. We have our bureaus of justice and our legal aid societies.

And another thing. We have an immense modern development in this country of the police power of the state, as this power is most infelicitously termed. We mean, as every one versed in the elements of law knows, the general welfare power of the state, restricting and limiting contract in the interests of freedom. This development of the police power, slow as it is, shows the adaptability of law to changing industrial and economic conditions. It has been said, and truly, that development of law lags behind the evolution of industrial society, so that the law represents a correspondence to a preceding stage or period in industrial development. It has been difficult for our courts to adjust themselves to the restrictions upon nominally free contract demanded by the interests of a larger and truer freedom. Consequently, in many cases decisions have been ren-

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dered which must be condemned by economic philosophy. Fortunately, however, our courts are finding the needed element of flexibility in our constitutional system in the police power, and are recognizing the fact that a new economic world demands new interpretations. Under American conditions, with upright judges of superior intelligence, devoted to freedom as they understand it, this proposition may be safely maintained, as has been well stated by one of our professors of law, "It has ever been true that in matters of great social and political import, our legal decisions and theories have conformed themselves to the current political and social thought, and not our social and political thought to our legal theories."<sup>1</sup>

Among our various state courts I think the truths concerning freedom, which I have so imperfectly brought before you, have been most clearly seen and most explicitly stated by the Supreme Court of Massachusetts. Some years ago, legislation restricting the right of women to work in a factory more than ten hours a day and sixty hours a week was upheld. Significant extracts from the decision of the court in this case, are the following: "It does not forbid any person, firm, or corporation from employing as many persons or as much labor as such person, firm, or corporation may desire; nor does it forbid any person to work as many hours a day or week as he chooses; it merely provides that

<sup>1</sup> Professor A. A. Bruce, University of Wisconsin, in the *Record-Herald*, Chicago, July 7, 1901.

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in any employment which the legislature has evidently deemed to some extent dangerous to health, no person shall be engaged in labor more than ten hours a day and sixty hours a week. There can be no doubt that such legislation may be maintained, either as a health or police regulation, if it were necessary to resort to either of those sources for power. This principle has been so frequently recognized in this commonwealth that reference to the decisions is unnecessary.

“It is also said that the law violates the right of Mary Shirley to labor in accordance with her own judgment as to the number of hours she may work. The obvious and conclusive reply to this is, that the law does not limit her right to labor as many hours per day or per week as she may desire. It merely prohibits her being employed continuously in the same service more than a certain number of hours per day or week.”<sup>1</sup>

But we may go still further in defence of laws of the kind under consideration. When they are wisely conceived and well administered, instead of limiting “the right to labor,” they increase the power of labor and make potential right an actual right. Presumably Mary Shirley’s health and strength are conserved by the law which prevents her from working in a factory more than ten hours a day, and if so, her total power of working is augmented. There can be no question that our labor

<sup>1</sup> In *Commonwealth v. Hamilton Manufacturing Company*, 120 Mass. 385.

laws, especially those restricting child labor and regulating the conditions of toil of men, have increased the total labor power of millions of human beings. We must have regard to the entire life, and not a short space in the life.

Mr. Justice Holmes, until recently chief justice of that state, has also expressed himself in such a manner, concerning the right of the state to regulate free contract in the interests of a larger freedom, as to show a clear insight into the underlying principles involved.<sup>1</sup>

It is natural to expect enlightened decisions on economic questions in Massachusetts, and that for several reasons. One is the progressive character of the state, due to general enlightenment; another is the altruistic spirit of the age, which finds such gratifying expression in the Old Bay State, and a third is the fact of its high industrial development, as a result of which it has had to deal for a longer period than other states with those questions growing out of an intensive industrial life. Recently, however, two states, viz., Tennessee and West Virginia, industrially far less developed, have taken a leading position in the regulation of contract in the interests of liberty truly conceived. I refer to the decisions of the courts of these states, sustain-

<sup>1</sup> I am pleased to quote from a letter received from Mr. Justice Holmes, with his permission, the following: "In my opinion, economists and sociologists are the people to whom we ought to turn more than we do for instruction in the grounds and foundations of all rational decisions."



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ing statutes prohibiting the maintenance of truck shops, and also providing for weighing of coal. The courts clearly recognize inequalities in bargaining power, lying back of contract, and they also take the position, — and it is undoubtedly a true one, — that wise legislation of this sort is calculated to prevent industrial strife, disorder, and bloodshed, and to maintain the public peace.<sup>1</sup>

The august tribunal which holds its sessions in this city, the Supreme Court of the United States, has also, on broad grounds of public policy, upheld the statute of the state of Utah, which limits the working day for miners in that state to eight hours.<sup>2</sup> The Supreme Court did not go into the wisdom of this particular statute, and I have no desire to do so on this occasion. It is simply the broad principle of regulation of economic relations in the interests of freedom which is in question.<sup>3</sup>

<sup>1</sup> *Harrison v. Knoxville Iron Co.*, 53 S.W. Rep. 955 (Tenn.); *Peel Splint Coal Co. v. State*, 15 S.E. Rep. (W.Va.) 1000.

<sup>2</sup> *Holden v. Hardy*, 169 U.S. 397.

<sup>3</sup> A recent decision of the United States Supreme Court has interest in this connection, as it recognizes emphatically the fact that private property has its social as well as its individual side. The legislature of Massachusetts passed a law limiting the height of buildings on Copley Square, Boston, to ninety feet. The bill providing this limitation became a law while a building called the Westminster Chambers, far exceeding this height, was in process of construction. The proprietor of the building contested the constitutionality of the law, and the case was taken to the Supreme Court of the United States, which sustained its constitutionality, and, as *The Nation* says, "The intruding giant must now abate many feet of his inordinate stature." While, as *The Nation* says, the ostensible purpose is to prevent light being cut off from the

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We see the most enlightened courts thus endeavoring to develop the idea of public policy in such a way as to bring contract into conformity with industrial conditions.

It is in the police power that we find the peculiarly flexible element in our legal system, and with written constitutions such as we have it is not easy to see where otherwise it is to be sought. The possibilities of development along the line of the police power cannot be limited. Consequently, there is the possibility of an evolution of our law which shall adapt it to our present and future industrial life, and thus secure industrial liberty. Let us take, for example, the doctrine that free contract presupposes "the will as voluntarily manifested." It is quite evident that this must take from certain agreements the character of a valid contract. An agreement made by pressure due to threats to a man's house cannot be a binding contract. Similarly if I see a millionaire who is drowning, and offer to save his life on condition that he turn over to me all his property, no court would sustain this agreement as a binding contract.

Museum of Fine Arts, it "appears greatly to extend the powers of the states to protect either natural or urban sites of exceptional beauty." It recognizes the right to pass special building laws for a part of the city, and limits still further the power of the landowner, — and this in the ultimate interest of all, landowners generally included. "It may still be true that every landowner may excavate on his plat until he reaches the centre of the earth, but it is certain that he may build toward the heavens only so far as the general convenience allows." — *The Nation*, March 5, 1903, p. 183.

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But is it not possible in some cases to take into account the pressure of economic needs, for example, the hunger of wife and children? Unquestionably, agreements with wage-earners have been extorted by the severest pressure of hunger. Agreements for usurious rates of interest have also been extorted under the pressure of economic need. Courts have frequently found a way to declare such agreements of no binding force. I cannot enlarge upon this thought, and, indeed, have no desire to do more than merely to suggest an important line of evolution in the interest of liberty.

Let us take, again, the principle that the right to contract must not nullify itself, and it seems that, from the standpoint of liberty, there can be no doubt whatever about this principle. Yet it is easy for contract to abrogate the right of contract. Whenever a man contracts himself into a condition of virtual slavery, this is the case. I have already cited the well-known cases brought before Judge Bennett of South Carolina. Cases have arisen in Germany, under what is called the "competitive clause" of labor contracts. It seems that there it is quite customary to insist upon a contract with an employee, learning a trade or occupation, that he shall not, after he has acquired his knowledge of the business, enter into competition with his employer. Sometimes there is a limitation upon the period or area within which no competition must be attempted, making the clause a fairly reasonable one. Sometimes, however, a lad

utterly incompetent to contemplate the remote consequences of his act, and not having five dollars to his name, will agree under a penalty of perhaps several thousand dollars not to enter into competition with his employer during his whole life, or in the entire German Empire, and sometimes, it is said, not anywhere in the world.<sup>1</sup> When contracts are carefully scrutinized with respect to their impairment, directly or indirectly, of the right to make future contracts, it will be found that many regulations are necessary in the interests of liberty.

Contracting-out, as it is now technically called, offers an interesting illustration of the absolute necessity of limitations upon contract in the interests of public policy. It will readily be conceded that private contract must not stand above public policy, and yet through contracting-out of obligations public policy may frequently, and will frequently, be subverted. Let us suppose it is determined to be public policy, as it has been determined in Germany and in England, that accidents to employees, unless brought about by wilful act of the employee, shall be regarded as a part of the expenses of manufacturing plants and

<sup>1</sup> It is interesting to read the following statement concerning industrial conditions in England during the sixteenth century, "In some trades the master required apprentices at the time of indenture to take an oath that they would not set up independent establishments when they had fulfilled the years of apprenticeship, a custom which was forbidden by Parliament in 1536." The statement is taken from Cheyney's "Industrial and Social History of England," pp. 147-148.

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agencies of transportation, to be paid for as any other costs of doing business, out of the proceeds of the business. Unless it is rendered impossible for an employee to contract-out of the obligation, this wise provision in the interests of a large industrial liberty will be nullified by private contracts. Consequently, we find in the most advanced industrial countries the doctrine established by the statute, or coming to prevail in one way or another, that contracting-out of obligations, established in the interests of public policy, cannot be tolerated.

Another line of development in the interests of industrial liberty must consist in opening up and increasing opportunities for the acquisition of a livelihood by the mass of men, in order that back of contracts there may lie a nearer approximation to equality of strength on the part of two contracting parties. It is certain that there will be a vast development along this line during the twentieth century, and through this development we shall find liberty expressing itself increasingly through contract.

It is manifest, I think, that philosophical anarchy furnishes us with no ideal. The absence of all social regulations means the unrestricted tyranny of the strong. Plato clearly saw this when he asserted that "the most aggravated forms of tyranny and slavery arise out of the most extreme form of liberty."<sup>1</sup>

Mazzini also saw this clearly enough, when he said of liberty, "If you enthrone it alone as means

<sup>1</sup> "Republic," VIII, 564, Jowett's translation, p. 272.

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and end, it will lead society first to anarchy, afterward to the despotism which you fear.<sup>1</sup>

We have not said all, however, that there is to be said concerning the ideal of anarchy when we have pointed out that it can only mean tyranny and despotism. Liberty cannot be an absolute ideal, because authority is needed in society, in order to secure the harmonious coöperation of its various elements; and without social authority we could have no production of wealth, and we should be without the material basis of that large and positive liberty which enables us to employ our faculties in the common service. This social authority rests, for the most part, upon the great institutions of society — property, vested interests, contract, and personal conditions. To only a limited extent is there a direct political basis for the authority whereby one man brings into harmonious coöperation other men, in the work of production. The basis of social authority is, for the most part, institutional.

On the other hand, socialism furnishes us with no sufficient ideal of industrial liberty. Going to the opposite extreme from anarchy, it would find a political basis for that social authority through which the industrial coöperation of men is effected. It would limit the range of free choice, and restrict liberty, although to a less degree than anarchy. The true ideal lies midway between anarchy and

<sup>1</sup> Mazzini, "Rights and Wrongs," Publications of the Christian Social Union, pp. 9-10.

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socialism, and may be termed the principle of social solidarity. According to this principle, the great institutions of society must be conserved, but developed in the interests of liberty positively conceived. There must be a carefully elaborated and wisely executed regulation of economic relations.<sup>1</sup>

We are indulging in no Utopian fancies, but are simply describing the forces which are everywhere manifesting themselves in the most enlightened nations, and are resulting in an evident increase of the sphere of industrial liberty for the masses of men. It is absurd to say that we must not pass any law in the interests of a single class of men, inasmuch as men exist in classes, and industrial laws, to be effective, must deal with them as they exist in classes.<sup>2</sup> And, moreover, no class exists for itself. As society becomes real and vital, and means more and more to us all, it becomes apparent that no one class exists for itself, and that no one class

<sup>1</sup> This finds illustration in great detail in Professor Elwood Mead's book, "Irrigation Institutions." Irrigated agriculture requires the most minute public regulation of the supply of water to render property secure and to protect mutual rights, to prevent fraud and a tyrannical use of power, and to secure industrial liberty in any true sense. Irrigation compels men coming from the East to leave their individualism behind them, or suffer in consequence; as a condition of general prosperity it forces men to enter into close economic relations with other men, and as a condition of liberty it requires a firm and wise public regulation of these relations.

<sup>2</sup> We are leaving behind us, in great industry, individual contract as the prevailing kind of contract. Even if the legal form is individual contract, the reality is group contract. This is a necessary outcome of industrial evolution, as we have already seen.

can exist apart from all other classes. While there is such a thing as vicious legislation in behalf of a few favored individuals, whatever promotes the interests of any one of the great and numerous classes in society, either in matters physical, mental, moral, or spiritual, advances the interests of every other class. "We are members one of another," and "the eye cannot say unto the hand, I have no need of thee: nor again the head to the feet, I have no need of you; . . . and whether one member suffers, all the members suffer with it: or one member be honored, all the members rejoice with it." The apostle Paul gives in these words an expression to a deep principle of modern industrial society, the principle of social solidarity.

I have sketched thus hastily a theory of industrial liberty. What I have said, I would have looked upon as thoughts on industrial liberty, more or less closely connected. I have not even attempted an exhaustive treatment, for which my time is too limited, even had I, as I have not, the wisdom for a complete presentation. I trust, however, that what I have presented is in harmony with industrial evolution and truth. It is something, at any rate, if I have at least made it clear that industrial liberty is a conception having a relative and not an absolute value; that it is to be conceived in a positive rather than in a negative sense; that it is not something which can be decreed offhand, by any legislative body, but rather that it is a social product, to be achieved by individuals



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working socially together, and that it comes, not all at once, but slowly as the result of a long-continued and arduous process. It is not the beginning of social evolution, but rather one of the goals of social evolution, and one which must be brought into harmony with other goals, such as equality, also relatively conceived, and fraternity, the only one of the three goals, liberty, equality, and fraternity, which can, in any way, be conceived absolutely. We have, then, among others, three goals of industrial evolution — liberty, equality, and fraternity — but the greatest of these is fraternity.

### LITERATURE

An older view of industrial liberty is presented by John Stuart Mill in his classical work called "Liberty." This was first printed in 1859, and has been frequently reprinted since then, both in London and in New York. It is chiefly negative in character, and is inconsistent with parts of his later writings. Mill always attached the greatest importance to a large sphere of individual action, but he came to see that positive action of society is necessary to secure this large sphere of individual liberty. His later views are presented briefly in his "Autobiography," published in London, 1873.

Mill's views on liberty have been ably attacked, and in some respects successfully, by Sir James Fitzjames Stephens, in his work, "Liberty, Equality, and Fraternity," New York, 1873. Stephens examines the function of force in the evolution of society. The careful student of this subject should by no means fail to read this brilliant work, as well as Mill's eloquent plea.

The most uncompromising adherents of liberty are the scientific anarchists, who oppose all exercise of force, and would even wipe out civil government itself. Benjamin R. Tucker is a prominent adherent of this view, and his work,

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called "Instead of a Book," New York, 1893, presents the anarchistic view of liberty. Mr. Tucker discussed trusts from the standpoint of anarchy in the Chicago Conference on Trusts of 1899. His address, entitled "The Attitude of Anarchism towards Industrial Combinations," will be found in the Proceedings of that Conference, published by the Civic Federation of Chicago, 1900, pp. 253-261.

The individualists led by Herbert Spencer stop only a step this side of anarchy, inasmuch as they advocate the existence of government, but the reduction of its functions to the lowest terms; negatively the prevention of violence through the maintenance of law and order, and positively the enforcement of contract. This view finds presentation in "A Plea for Liberty," London and New York, 1891. It consists of an introduction by Herbert Spencer and essays by various writers, and is edited by Thomas MacKay. Herbert Spencer's views also find vigorous expression in his reprinted articles entitled "Man *versus* the State," which form an appendix to the abridged and revised edition of his "Social Statics," New York, 1897.

A view more in harmony with this present chapter is that presented by the late Thomas Hill Green, to which reference has already been made in this essay. Miscellaneous Works, Vol. III, "Liberal Legislation and Freedom of Contract," pp. 365-386.

The most recent economic literature generally is based upon a recognition, either implicit or explicit, of the fact that a large measure of positive activity of government in the regulation of economic relations is necessary to secure true liberty. Professor Alfred Marshall's "Principles of Economics," 4th ed., London and New York, 1898, may be cited; also Bullock's "Introduction to the Study of Economics," new and revised ed., New York, 1900.

Finally, the whole discussion of socialism, pro and con, involves a discussion as to what really constitutes liberty, and how that sort of liberty which is admitted to be desirable is to be secured.

## CHAPTER XII

### THE WIDENING AND DEEPENING RANGE OF ETHICAL OBLIGATION<sup>1</sup>

#### I. *The Process Outlined*

A QUOTATION from Sir Henry Maine will serve as a text for the present chapter. It reads as follows:—

“What is the real origin of the feeling that it is not creditable to drive a hard bargain with a near relative or friend? It can hardly be said that there is any rule of morality to forbid it. The feeling seems to me to bear the traces of the old notion that men united in natural groups do not deal with one another on principles of trade. . . . The general proposition which is the basis of political economy made its first approach to truth under the only circumstances which admitted of men meeting at arm’s length, not as brothers of the same group, but as strangers. . . . If the notion of getting the best price for movable property has only crept to reception by insensible steps, it is all but certain that the idea of taking the

<sup>1</sup> This subject is presented in popular form in the author’s “Social Law of Service,” and the first part of this chapter entitled “The Process Outlined” is little more than a reprint of a portion of that chapter.

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highest obtainable rent for land is relatively of very modern origin. The rent of land corresponds to the price of goods, but doubtless was infinitely slower in conforming to economical law, since the impression of a brotherhood in the ownership of land still survived, when goods had long since become the subject of individual property.”<sup>1</sup>

The ancient village community was an association of men bound together by peculiarly close ties. These men were generally supposed to be descended from a common ancestor and thus to be more or less closely related, and any outsiders received into the community became members of this large family. They felt themselves to be brothers, and in an imperfect manner attempted to establish brotherly relations among themselves. Competition was greatly restrained, — in fact in the modern sense could hardly be said to exist, — custom regulated prices, and sharp practice and hard bargaining were viewed with disapprobation and often severely punished. Ethical obligation extended to all the relations of life. The range of this obligation, however, was not extensive; once outside the community, moral law was scarcely recognized. There was often a place touching three or four village communities, but not belonging to any one, which was neutral territory. This became a market where the customs and usages of the village community no longer held sway, and it was in this market that the idea of the legitimacy

<sup>1</sup> “Village Communities,” pp. 195–198.

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of hard bargaining and sharp practice took its origin, as we are told by Sir Henry Maine. This authority regards sharp practice and hard bargaining as true economic practice, and inquires why it is that somehow or another men are still frequently inclined to view it with disapprobation. He finds the explanation in survivals of feelings which once obtained among closely connected groups of men. The highest rent obtainable for land is not always exacted in England, and it is said that there are places where such an exaction would ostracize the landowner. The explanation given is that manorial groups were substituted for village communities, and that they still survive, even if in imperfect form.

As old groups of men broke up with modern progress, ethical ideas have seemed to become weaker, and there has been an attempt to take one great department of social life, namely, the economic, entirely outside the range of ethical obligation. Ancient groups were associations of brothers, but those not within the groups were enemies. The three words, "foreigner," "stranger," and "enemy," were similar, and often the same word denoted all three relationships — that of foreigner, that of stranger, that of enemy. When men's dealings were chiefly with those not connected by any recognized tie of mutual obligation, each one naturally tried to do the best he could for himself, regardless of consequences to others. Yet there never has been a time when there have not been

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those associations of one sort or another within which ordinarily good men have viewed with disapprobation hard bargaining. It may be said, indeed, that a genuine feeling of brotherhood is incompatible with sharp practice and hard bargaining, and Sir Henry Maine is altogether on the wrong track when he looks for a time when what he styles economic practices shall universally obtain, and men shall applaud the person who drives a hard bargain or indulges in sharp practices with neighbors and friends. The breakdown of old ties which were intensive and not extensive led to a great weakening in the intensity of ethical feeling, especially in business life, because the same amount of feeling was, if we may use such an expression, made to cover a so much larger territory. Men, however, have long been taught in all civilized nations that all men are brothers, and most enlightened persons profess to accept this teaching of universal brotherhood. There has been, then, an extension of brotherhood which is simply immense, placing us in the modern world indefinitely in advance of the closely related but exclusive groups of the ancient world. The range of ethical obligation has been widened until it embraces all humanity, but it has not been deepened in proportion. The work of deepening this feeling, however, goes on uninterruptedly.

Day by day the phrase, "All men are brothers," comes to mean more and more, and the time is surely coming when it will ethically mean as much

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in the world at large as once it did in the village community; and when that time comes no decent man will any longer advocate the legitimacy of the universal sway of sharp practice and hard bargaining. Men will then try to put all business relations upon a brotherly basis, and will always inquire what forms of industrial organization and what modes of doing business are in accordance with the highest standards of right, and best promote the general welfare. It is this deepening process of ethical obligation which explains many social problems of our day. The deepening is going on with remarkable rapidity, and the result is that men everywhere bring ethical tests to bear upon all relations of life, and are rejecting as unsound all practices and customs inconsistent with genuine brotherhood. Mere conventional phrases no longer satisfy us; we want the reality of brotherhood. Now a business world, which has taken its origin in the middle ground lying between communities within which the range of ethical obligation was confined, can never satisfy a highly developed ethical consciousness unless it has in the processes of growth gotten far away from its earlier characteristics. Men may talk and argue as they will about economic law, yet there is deep down in our hearts a feeling that there is something better than sharp practice and hard bargaining.

It was an unbelieving age of materialism which asserted the all-sufficiency, and even beneficence, of self-interest, and attempted to restrict economic

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inquiries to this one question, "How produce the greatest amount of wealth?" Aristotle, Plato, and the greatest of the ancients never asked, "How can our nation become as rich as possible?" but rather, "How may such economic and social relations be established among citizens as to render them good and happy?" They sought in the business world merely a basis for the highest physical, mental, and spiritual development of man; but they never looked upon the accumulation of riches as an end in itself. These ancients did not extend the range of ethical obligation beyond nationality; but our age regards all men just as closely connected as the Jews in the eyes of Moses or the Greeks in the mind of Plato. Consequently, we begin to ask similar questions.

The widening and deepening range of ethical obligation rests upon a basis of solid facts. One of the most characteristic features of the latter half of the nineteenth century is the extension of international connections. Men of all nations are drawing nearer and nearer together in every department of social life. After men ceased to regard the foreigner as necessarily an enemy, they long continued to consider him as an inferior. There are still Americans who regard Americans as superior to Englishmen or Germans or Frenchmen; but as knowledge extends, and practical Christianity advances, we feel that God has created all men of one blood. This is seen in international marriages, which have their good side, and that one of no



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mean significance. The number daily increases of those who have ties of blood relationship extending to several countries. People of culture and means have friends in three or four countries, and dear friends with whom connection is kept up by correspondence and occasional interchange of visits.

The freedom with which capital moves from country to country has become a matter of common knowledge, and it is often said that capital knows no country, but is strictly cosmopolitan. This is, to be sure, an exaggeration, but it emphasizes forcibly actual facts. The past generation has witnessed a most marvellous growth of a feeling of brotherhood among the wage-earners of modern industrial nations. Possibly, when the history of the nineteenth century comes to be written several generations hence, this will be regarded as the most marvellous feature of the second half of the century. The ties which bind workingmen to workingmen all over the world are very real, and are felt wherever there is an intelligent wage-earning class with a developed class consciousness. Papers devoted to the interests of labor published in every European country find their way to the United States, and our labor papers find their way to all European countries. Even Asia and Africa are coming into this world movement. Workingmen of one nation contribute to those of others to assist them in their upward struggle, and refuse advantages procured at the expense of brothers whom they have never seen. We need not cite

facts in detail when all know that contributions of Australian workingmen helped English workingmen to a victory in one of the most momentous struggles with their employers; and when the fact has been frequently published that workingmen from the continent of Europe, who have been brought to England to take the place of strikers, have returned to their own countries as soon as they found out the true nature of their engagement; and when under such circumstances European workingmen have even crossed the ocean from America to Europe after they had come over here in the hope of finding better wages.

The extension of the range of ethical obligation moves most readily along what may be called horizontal lines — that is to say, it is largely an extension within social classes. The English merchant recognizes ties which bind him to the merchants in New York and Paris and Berlin. Manufacturers and employers generally are more and more conscious of relations of brotherhood binding them together, and, as has been just stated, the workingmen of all lands feel their oneness, and their great rallying cry has gone forth, "Workingmen of all lands, unite!" Thus it often happens that there is a better understanding among members of any social class in different countries than among members of different social classes in the same country. It cannot, indeed, be denied that while social classes in different countries are drawing together, there is in some places a growing hostility,

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separating class from class in the same country; yet there is also in many quarters evidence of efforts to bring together into brotherly relations all social classes. The range of ethical obligation is in this respect likewise deepening. We are more and more inclined to put ourselves in the place of those who socially are differently situated from ourselves; and hence it is that so many young men and women of means and culture are devoting themselves to social problems in the hope of ameliorating the condition of the less-favored portions of humanity, and that in great centres of education, like Oxford, we find an admirable enthusiasm of humanity which, in its earnestness and intensity, has been compared with the crusades.

### II. *A More Detailed Examination of Causes and Methods*

The fact of an extension and intensive growth of obligation has been described. The basis of this growth is the relations which are formed among men, and these relations are very generally economic in character. Every one of them has some economic content or bearing, and the highest known relationships among men are, in the main, economic in their origin, and reach their highest forms only by an evolutionary process of purification. The relation of husband and wife is a familiar illustration. There does not seem to be any one sole origin of this relationship, but very fre-

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quently wives certainly have been purchased, and have been economic chattels in early times. As men form relationships and come to know each other through these relationships, there has developed a consciousness of kind, to use this expression which Professor Giddings has made so familiar to us all, and this consciousness of kind has increased with the process of social evolution. The consciousness of kind carries with it a sense of ethical obligation. Whatever may be the deeper underlying causes, we observe this fact. These deeper underlying causes are psychical in character. We learn to know self through other selves. There is a play between the "I" and the "you." Both are a part of our thought and our feeling. As we come into contact with others through these relationships, we picture a situation in thought of which others form a part. This means, necessarily, a feeling of sympathy, and the sympathy means a recognition of mutual obligation, with growing fulfilment of the obligations made upon us. The passage from self-regarding action to actions which regard others, as well as self, is a growth and a struggle.

The expression, "consciousness of kind," is correct in a very literal sense. Those who are outside the familiar group within which one really lives, whether this group be large or small, are looked upon as strange beings; they are regarded as beings who are essentially different. As individuals grow they repeat in part the history of the race.

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Boys of one town do not have the consciousness of kind with respect to those of an adjacent town. There are few, indeed, who do not know this from their own experience. The writer passed his boyhood in Fredonia, N.Y., about three miles from Dunkirk. The boys of Fredonia looked upon the boys of Dunkirk as beings essentially different, and toward whom it was proper to display hostility. Fredonia boys and Dunkirk boys would fight each other simply because they lived in towns three miles apart. The consciousness of kind was absent; but as the boys of the towns grow up and enter into mutual relations of one sort or another, especially economic relations, they have a growing consciousness of kind, although there will always persist traces here and there of the old, early, and primitive feeling.

All early history and all contemporaneous history of primitive peoples afford abundant illustrations. The history of Greece is especially instructive. Greece was made up of small communities; but these, though frequently engaged in war with one another, still came into far closer relationship with one another than they ever did with those who lived outside of Greece and were called the barbaroi. In the time of Homer, indeed, there had been such an advance in the recognition of relationships among all the Greeks that no Greek ever became the slave of another Greek. The slaves were aliens.<sup>1</sup>

<sup>1</sup> *Vide* Keller's "Homeric Society," p. 277.

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The Greeks had relations with foreigners, especially with the Phœnicians; but these relationships in the main touched the externals of life, and did not lead to the establishment of ethical relations. The Phœnicians, as has elsewhere been stated, were pirates and robbers, as well as merchants, and would not hesitate to enslave foreigners where they had opportunity. The same is true with regard to the Greeks. Guest friendship formed an exception, for in this there was a real vital contact, and a real feeling of fraternity was developed. This guest friendship had also its economic side. "Apparently the origin of guest friendship," says Dr. Keller, "lay in the reachings forth of a developing people toward an advance and toward a further and larger acquaintance with the world of greater material wealth and luxury than their own; that is, the hospitality and love of guests so characteristic of the Homeric Greeks were another product of the contact with the higher Eastern civilizations."<sup>1</sup>

The ideal of the classical Greeks was the economic self-sufficiency of the household, and economic ties binding them together were comparatively few. In their stage of economic development there could be no network of economic relationships binding all the Greeks together, such as we find in a modern nation. The ethical ties binding together the various city-states were comparatively feeble, and appeared in evidence chiefly

<sup>1</sup> *Loc. cit.*, p. 303.

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in the contrast between Greek and barbaros, and even then the ties were feeble. Greek was brought into relationship with Greek through such economic ties as existed: through marriage, through commerce, through common language, common religious ideas, and generally a common culture.<sup>1</sup>

When we pass on to the Middle Ages and to the early modern period of history, we still find the local communities bound together by economic and social ties. The town is organized as a merchant gild, which is formed to promote the interests of the town and to secure as high a degree of monopoly as possible with respect to other towns. Within the town there were the craft gilds, each craft gild seeking a monopoly for its members. The gilds were called fraternities; they practised mutual assistance and helpfulness, and exhibited at their best a high degree of fraternal friendship among themselves; but once outside the narrow organization, very limited ethical obligation was recognized. The conditions in the town are excellently described by Professor Gustav Schmoller in the following language:—

“ Each separate town felt itself to be a privileged community, gaining right after right by struggles kept up for hundreds of years, and forcing its way, by negotiation and purchase, into one political and economic position after another. The citizen-body looked upon itself as forming a whole, and a whole

<sup>1</sup> *Vide* Keller's "Homeric Society," pp. 14, 15, 303, 308, 311, 314, *et passim*.

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that was limited as narrowly as possible, and forever bound together. It received into itself only the man who was able to contribute, who satisfied definite conditions, proved a certain amount of property, took an oath, and furnished security that he would stay a certain number of years. It released from its association only the man who solemnly abjured his citizenship before the council, who swore that he would bear his share of responsibility for the town's debts, and contribute to the taxes of the town for a number of years, and who handed over to the town ten per cent of his property. The omnipotence of the council ruled the economic life of the town, when in its prime, with scarcely any limit; it was supported in all its action by the most hard-hearted town selfishness, and the keenest town patriotism — whether it were to crush a competing neighbor of a competing suburb, to lay heavier fetters on the country around, to encourage local trade, or to stimulate local industries.”<sup>1</sup>

There were, however, various ties drawing together these communities. Religion was one, for the influence of the church was felt over all the more civilized portions of Europe. The great universities of the Middle Ages also drew together in a bond of fraternity men widely separated and belonging, indeed, to different nations. The next

<sup>1</sup> *Vide* “The Mercantile System and its Historical Significance,” by Gustav Schmoller, pp. 7–8, in Professor Ashley’s “Economic Classics.”



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great step, however, was taken in the formation of the modern nation. The towns lost their isolation with the development of industry, particularly when industry began to be conducted on a large scale. As industry ceased to be local and became national in character, in the eighteenth and nineteenth centuries, there was an immense extension of ethical feeling through the great channel of commerce. This has already been pointed out. It has already been pointed out also that we have in process of development a world economy, and we have a corresponding extension of the range of ethical obligation. This range of ethical obligation has become world-wide, although it is felt in high degree as yet only by those who form the élite of humanity. We will not enter, just at present, further into this general geographical extension of the range of ethical obligation.

During the nineteenth century, as we have already seen, the feeling of fraternity moved largely along horizontal lines, and manifested itself in a most significant way among the workers. This has also already been indicated. It requires considerable investigation, and it would take far more space than could in this place be given to the subject to show in detail the growth and the strength of the fraternal feeling among the wage-earners of the most civilized nations. Marked expressions of it can be found even earlier than has generally been supposed. There lies before the writer a collection of Chartist songs, dated 1849, entitled "Dem-

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ocratic Hymns and Songs.” Frequently these hymns and songs give expression to a feeling of international fraternity. Even the French are felt to be brothers. One of these hymns is entitled “The Brotherhood of Peoples”; another one is called “Old Opinions.” The following is an extract from the latter:—

“Once we thought it right to foster  
Local jealousies and pride ;  
Right to hate another nation  
Parted from us by a tide ;  
Right to go to war for glory,  
Or extension of domain :  
Right, through fear of foreign rivals,  
To refuse the needful grain ;  
Right to bar it out till Famine  
Drew the bolt with fingers wan.  
Old opinions, rags and tatters,  
Get you gone ! get you gone !”<sup>1</sup>

Still another one is entitled “England and France,” the first verse of which reads as follows:—

“We make no boast of Waterloo ;  
Its name excites no pride in us ;  
We have no hatred of the French,  
No scorn of Yankee or of Russ.  
The GLORY that our fathers gained  
In bloody warfare years ago,  
And which they talk of o’er their cups,  
Gives us no joy to think upon.”<sup>2</sup>

As industry has grown, as the wage-earners have come to form a self-conscious class, there

<sup>1</sup> “Democratic Hymns and Songs,” p. 62.      <sup>2</sup> *Ibid.*, p. 84.

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has grown up among them a wonderful feeling of economic solidarity which has found expression in international socialism, as well as in other ways. An economic development has taken place, preparing the way for the great rallying cry of Karl Marx, "Workingmen of all lands, unite!" There has also arisen a demand for international protection of the wage-earner, through international regulation of the conditions of toil, and this has been supported by non-socialists as well as socialists.

The growing fraternity among workingmen has given us what Miss Jane Addams calls the newer ideals of peace. The old ideals were more negative in character, dwelling upon the cruelty and evils of war. The newer ideals are more positive and aggressive, more dynamic in character, and arise from the masses of the people themselves.<sup>1</sup>

The most difficult problem is to cross over horizontal lines and bind together by ethical ties the various classes in the community. Economic causes, however, are also at work to accomplish this end. We have an ethical product of the competitive process to which frequent allusion has been made. The picturing of the connection between self and other selves in the thought-situation is one thing. Another thing is the growing organization on both sides which compels mutual recognition of rights and mutual respect and esteem. It may be difficult to see this at present, but it is

<sup>1</sup> This will find further elaboration in Miss Addams's book, entitled, "The Newer Ideals of Peace," to be published in this Library.

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bound to become clearer as time goes on. We have also a deepening range of ethical obligation in the extension of public industry and public regulation of private industry. The philosophers of the Middle Ages had much to say about fair price. The idea of ethical fairness was one which received a large amount of theoretical and also of practical attention. Early in the last century, under the régime of unregulated competition and the belief in the self-sufficiency of unregulated competition, the idea of fairness almost disappeared from theoretical economics. With the growth of monopoly and public enterprise, however, the legislatures and courts are forced to fix prices, or to pronounce opinions upon prices, and they are bound to do so in accordance with ideas of fairness. We, therefore, hear more than at any time during the preceding century about fair wages and other fair prices, although strangely enough this fact does not seem to have impressed itself upon the consciousness of scientific men.

We also have the general movements for the establishment of higher ethical ideals in the standards of business, even while engaged in competition. These higher standards are forced upon contestants and modify their ethical feeling and ethical judgment. Food adulteration is being watched successfully in other countries, and in this country both the federal government and the state governments are concerning themselves with this unethical economic production. This is in

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itself an advance, and it paves the way for further advances.

Germany has taken a remarkable step forward in the development of the legal idea of unfair competition, and Holland is preparing to follow her example.<sup>1</sup>

Modern countries generally allow civil action for certain illegal methods in competition; but Germany has taken a step in advance in fighting unfair competition, not only with the civil but with the criminal law. The German law went into effect July 1, 1896, and is summarized as follows by Mr. Brainard H. Warner, Jr., consul for Leipzig:—

1. Fraudulent advertising, *i.e.* false declarations concerning methods of production, make-up or prices of wares, source of supply, reason for selling, possession or ownership of trade-marks. In the above cases every business man or group of business men has the right to bring suit against the offending party, calling for the suppression of the above practices, also for damages. A fine not exceeding 1500 marks (\$357) can be imposed; repetition of such an offence is punishable with imprisonment not exceeding six months.

2. Detraction of a competitor, *i.e.* spreading false

<sup>1</sup> This is one of the reforms promised in the Queen's speech at the opening of Parliament in Holland two years ago. Vide *Wochenblatt der Frankfurter Zeitung*, September 20, 1901. The German technical term is Unlauterer Wettbewerb. A bill having this same end has been introduced in the Hungarian Parliament. Vide *Jahrbücher für National-ökonomie und Statistik*, 3te Folge, Bd. XXIII, (LXXVIII) Jan.—June, 1902, p. 194.

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reports concerning the trade of another, his person, the manager of his business, or his wares. Offences of this nature are punishable with a fine not exceeding 1500 marks (\$357), or imprisonment not exceeding one year.

3. Misusing another's name in such a way that an unfair advantage is gained. Offending parties must pay damages, and are compelled to discontinue such practices.

4. Disclosing business secrets during time of employment. A fine not exceeding 3000 marks (\$714), or imprisonment not exceeding one year, can be imposed, and in addition judgment of damages sustained. Any competitor using information gained in this way, as well as any third person disclosing such information to him, is liable to a similar punishment.

5. Deception as to the quality of goods. The Federal Diet has been empowered to prescribe that certain articles are to be sold at retail only in certain quantities, lengths, according to certain numbers, etc., or with declarations as to number, weight, etc. The punishment for every infringement shall not exceed 150 marks (\$35.70)."<sup>1</sup>

Mr. Warner gives the following statement concerning the effects of the law: —

“As regards the effect of the law briefly described above, the Berlin Society of Business Men and Manufacturers says that up to the present time it has been very beneficial. This effect is ascribed to the strictness with which the law is enforced. The knowledge that taking an unfair advantage of a competitor is not merely a breach of good faith, but is also punishable by fine or imprisonment, acts as a deterrent.”<sup>2</sup>

<sup>1</sup> Consular Reports, October, 1902.      <sup>2</sup> *Ibid.*

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One of the most difficult ethical tasks which society has, is to deepen the feeling of ethical obligation on the part of those who control private corporations in their relations to the general public. Many illustrations could be given of the absence of any deep feeling of ethical obligation on the part of private corporations in their relations to the public at large. The readiness of railways to encroach on public property, where they have an opportunity to do so, affords a conspicuous illustration. Society has here acting against it two adverse forces. Managers of private corporations do things for the corporations which they would not do for themselves, even in the relations existing between private persons and the corporations. The general dulness of conscience, then, of those who act through private corporations, is one adverse force. The second adverse force is found in the dulness of conscience even of private individuals with respect to public property and public claims, which finds further illustration in the matter of taxes. Generally speaking, as is well known, the social conscience is of slower development than the individual conscience, and the individual is guilty of ethical acts aimed against the public at large which he would not commit against other individuals. The difficult task, then, is the cultivation of a social conscience on the part of those who, acting through private corporations with a feebly developed conscience, attack public rights and public property, with respect to which

the conscience even of individuals is very inadequately developed. The task which society has before it in this particular is, however, not a hopeless one. Banking affords an illustration of the great progress in the development of social conscience, even on the part of those who act through private corporations. The higher standard set in our laws, and the rigid enforcement of these laws, has brought the banking business up to a much higher level than that upon which it operated in the first half of the nineteenth century, in the days of the so-called "wild-cat banking." We have the danger in banking which confronts the man who acts fraudulently ; but we have not only the danger — we have to do with a higher development of the conscience of the individual even when he represents a private corporation.

In conclusion, it is not to be supposed that the economic cause is a sufficient explanation of this widening and deepening range of ethical obligation. It is one cause and has accompanied other causes. Religion has also been a force which has acted upon economic development in most marked manner, and it is a gross error to speak as extremists do of religion as simply a product of economic development. The economic cause has been a chief cause, and quite possibly we may say in past history a dominant cause. Professor Seligman lays special stress upon economic causes as an explanation of history, and is an advocate of what is called the economic interpretation of history ; but



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he frankly recognizes that other causes than economic have been at work in social development, and this chapter may very profitably be closed with a quotation from the excellent work in which he treats this subject. He says: "The view of history which lays stress on these paramount considerations is what we call the economic interpretation of history. They are not the exclusive considerations, and in particular instances the action and reaction of social forces may give the decisive influence to non-economic factors. Taking man, however, for what he has thus far been and still is, it is difficult to deny that the underlying influence in its broadest aspect has very generally been of this economic character. The economic interpretation of history, in its proper formulation, does not exhaust the possibilities of life and progress; it does not explain all the niceties of human development; but it emphasizes the forces which have hitherto been so largely instrumental in the rise and fall, in the prosperity and decadence, in the glory and failure, in the weal and woe, of nations and peoples. It is a relative, rather than an absolute, explanation. It is substantially true of the past; it will tend to become less and less true of the future."<sup>1</sup>

### LITERATURE

DRUMMOND, HENRY, *The Ascent of Man*. New York, 1894.

This work presents the ethical ascent of man, biologically

<sup>1</sup> *Vide* "Economic Interpretation of History," by E. R. A. Seligman, pp. 157-158.

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considered, in a popular manner. This is a work which is ethically valuable, and which, in its general direction of thought, seems to be in accord with biological truth, even if in some details it may not be sound.

JHERING, RUDOLF VON, *Zweck im Recht*. 2 vols. Leipzig, 1883-1884. This is a remarkable work of a jurist in the realm of ethical philosophy. The attempt is to show that moral ideas and moral conduct are developed by society for the accomplishment of its purposes. The author reaches the conclusion that ethics is the "queen of the social sciences." While the author goes far outside his field of jurisprudence, the whole subject is approached from the viewpoint of jurisprudence, and the entire treatment bears evidence of the profound legal studies of its author. This is a work which should not be neglected by any student of ethics who is able to read German.

SUTHERLAND, ALEXANDER, *The Origin and Growth of the Moral Instinct*. 2 vols. London and New York, 1898. This work is especially valuable because it shows the low ethical qualities of the inferior races and makes clear the immense ethical advance which the more progressive races have made during their existence. The unspeakable cruelty of savage races in their treatment of those outside their own narrow circle met with no ethical disapprobation whatever, and is in marked contrast to the conduct which is approved by modern nations. Even if there is much to be deplored, as there undoubtedly is, in the expansion of the great nations of the world, the historical and evolutionary view presented by Sutherland should at least give courage to those who are fighting for the right. The work is the result of eleven years' work, as the author tells us, and is based upon a wide range of investigation. The author regards his book as a continuation of the work of Charles Darwin, as he has carried over into another department Darwin's principles and methods.

## CHAPTER XIII

### SOCIAL AND ETHICAL INTERPRETATIONS<sup>1</sup>

THE aim of the present work, as stated by the author, is "to inquire to what extent the principles of the development of the individual mind apply also to the evolution of society." It is a continuation of Professor Baldwin's earlier work, "Mental Development in the Child and the Race," and in part it consists of the successful essay written in competition for the gold medal of the Royal Academy of Denmark. The question set was this, "Is it possible to establish, for the individual isolated in society, rules of conduct drawn entirely from his personal nature; and if such rules are possible, what is their relation to the rules which would be reached from the consideration of society as a whole?"

What we have in this work is a treatment of social psychology so profound, so original, and so striking in its results that it cannot fail to mark an epoch in the future both of sociological and of psychological thought. It should, however, in

<sup>1</sup> "Social and Ethical Interpretations," by James Mark Baldwin, M.A., Ph.D., Professor in Princeton University and Co-Editor of *The Psychological Review*. 8vo, pp. xiv, 574, cloth, \$2.60.

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justice to the author, be stated at once that the present discussion does not claim to be exhaustive. This remark is the more pertinent as there is so general a tendency to criticise an author for not doing something which he did not set out to do, but which the critic assumes by implication that he ought to have done. Professor Baldwin observes in his Introduction that there are several methods by which the relation between the principles of the development of the individual mind and the evolution of society might be investigated. The first he calls the anthropological or historical method, which seeks information in the history of society; the second is termed the sociological or statistical method, and this aims to secure results by analytical and inductive examinations of society; the third is the genetic method, subdividing itself into the psychological and biological. Professor Baldwin adopts the psychogenetic method, examining into the psychological development of the individual "for light upon the social elements and movements of his nature, whereby he is able to enter into social organization with his fellows." The child is examined in his mental development, and the social results reached are as rich as they must be astonishing to one who has hitherto failed to approach problems of society from this simple point of view. One is reminded of Columbus and his egg; also the thought occurs that a little child is still leading us into the truth. It is expressly stated by the author that a complete

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scientific research should include all three methods, and he frequently shows the connection of other methods with the one he has developed, and upon which the emphasis is laid throughout the entire work.

One is puzzled to know how to discuss a work of this character in the brief space allowed to its review. Naturally, the reviewer in a periodical which has its own particular field quite outside of psychology will not attempt an examination of its technical character. The general significance of the work is what the educated public, outside the field of the specialist, desires to have made clear. The present reviewer will indicate briefly those features of Professor Baldwin's new book which strike him as most noteworthy both in their scientific and in their immediately practical bearings.

The work opens with a discussion of the growth of self which reveals the intimate relationship of the ego and the alter. The two cannot be separated in evolution. Without the one the other would be non-existent. The person as self is formed, comes into existence by a give-and-take process between the ego and the alter, and the ego and the alter are born together; both are social products. Fundamental is the thought of the person as self; and gradually growing up together we have my self and your self, or other self, and other selves. The growth process is backward and forward between two poles — my self, other self. I know my self through your self. I know your self through my

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so intimate is this social bond — a service for which he pays in kind, since we see in his body, considered simply as a physical organism, preparation for the reception of the soul-life, the suggestions of mind and spirit, of those others. I do not see wherein the community of the senses together, in a single life of nervous activity, differs very much in conception from this community of men, bound together by the native ties which lie at the basis of their most abstract and developed social organizations." ("Mental Development," p. 153.)

This suggests the false antithesis between egoism and altruism which has puzzled so many, and which, among other things, has led Mr. Benjamin Kidd to give us his strange doctrine of an antagonism between individual and social interests such that social progress can have no rational sanction to the individual, and has led him to discover in religion an ultra-rational sanction for social progress, the office of which is to hold the individual quiet while he is being slaughtered in the interests of the race! It has already been shown that even biologically we have given with the struggle for life also the struggle for the life of others, and now we have a psychogenetic proof of the fact that egoism and altruism are alike reasonable. But this suggests a question which it is as well to answer at once. How reconcile the claims of the ego and the alter? How does the man, wise as well as good, avoid perpetual conflict? We have an interesting movement from self to my self and other self, and then a return again to a union in a higher, ideal self.

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But equally interesting and equally significant is the doctrine of social heredity, so finely elaborated that it is difficult even in the contracted space of this review to avoid enthusiasm. This social heredity must be treated along with natural heredity to understand the forces at work in social evolution. It has been overlooked, and yet it is the peculiarly human factor in social evolution. Indeed, as our author says: "The influence of social heredity is, in a large sense, inversely as the amount and definiteness of natural heredity. By this is meant that the more a person or an animal is destined to learn in his lifetime, the less fully equipped with instincts and special organic adaptations must he be at birth" (p. 61). We have a selective process among thoughts and ideas, in fact, very literally a struggle. The child learns "by imitative absorption of the actions, thoughts, expressions, of other persons" (p. 58), and the general fact that in much of his personal growth the child is indebted to society is called "social heredity." "In social organization the fruitful variation is not the individual as such, but his thoughts" (p. 521). In the struggle of ideas those survive which have a fitness "for imitative reproduction and application," and these are handed down by social heredity.

This at once brings us to social progress. This is due in the first instance to individuals who work on the basis of what that society has given them in which they have become what they are. The individual is the particularizing social force, and society



is the generalizing social force. The new variations are produced by the individuals, and this production is called particularization. It is this particularizing by the individual which furnishes the material of social progress. The thoughts, ideas, etc., of the individual furnish copy for imitation or generalization by society. It is as society takes up new material furnished by the social person that it progresses. We have here a very different force from any known to biology. And how much more powerful is the force of thought in society than physical heredity! As Professor Baldwin finely says of social truth, "It leaps the bounds of physical heredity."

Ideas come from the most capable, the most talented, and nature herself thus provides every society, however organized politically, with a natural aristocracy.

But there is an antinomy at last! It is found in the failure of society to generalize the ethical thought of the individual. "In the ethical realm the individual may rule himself by rules which are in advance of those which society prescribes, and also exact them."

The most impressive feature of Professor Baldwin's work to one thinking of it as a whole is the new emphasis laid upon social forces. The philosophy of the eighteenth century viewed external nature as the principal thing to be considered in a study of society, and not society itself. The great force in society was extraneous to society.

But according to the philosophy of our times, as it finds expression in Professor Baldwin's work, the chief forces working in society are truly social forces, that is to say, they are immanent in society itself. The importance of this change can scarcely be overestimated. Man as man comes into being and unfolds his powers through society. Ethical sentiment grows up in society; "morality is in its origin and direct bearing a social thing" (p. 83). The moral sense is essentially a social thing. The religious bond is a social relationship, and God Himself "cannot be thought of out of this relationship" (pp. 345-346).

A certain confirmation of Professor Baldwin's ideas concerning morality and the moral sense as social things may be found in the absence of moral ideas in the deaf and dumb before they have been taught to communicate with others. Experts tell us that the most elementary moral notions seem to be entirely absent, and of course a trace of the idea of God cannot be found.

It is interesting to observe that very similar results to those reached by Professor Baldwin have been gained by an entirely different process by one of the most celebrated jurists of the century, namely, the late Professor Rudolf von Jhering, of Göttingen, in his "Zweck im Recht." Approaching the subject of society from the point of view of jurisprudence, he finds the source and the sanction and the purpose of moral actions in society, and comes to regard ethics as the queen of the social sciences.

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It is significant that psychology and jurisprudence should lead to such similar, and to many, doubtless, such startling results.

This work of Professor Baldwin's will prove a powerful assistance in the emancipation of sociology from an undue dependence upon biology, which helped to promote that crude materialism which has tintured so much of our sociological thought during the past generation. Instead of biological sociology, we have social psychology. We may in this connection quote the closing paragraph of "Social and Ethical Interpretations":—

"Finally, our outcome may be gathered up in a sentence of characterization of society as a whole. Society, we may say, is *the form of natural organization which ethical personalities come into in their growth*. So also, on the side of the individual, we may define ethical personality as *the form of natural development which individuals grow into who live in social relationships*. The true analogy, then, is not that which likens society to a physiological organism, but rather that which likens it to a psychological organization. And the sort of psychological organization to which it is analogous is that which is found in the individual in *ideal thinking*" (p. 544).

Unfortunately, Professor Baldwin's style is an extremely difficult one, and it is much to be feared that it will discourage many readers who might derive large benefit from his work. And the style is not only difficult, but in places positively bad. An admirer of the work cannot fail to regret cer-

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tain glaring faults which could have been easily corrected. The word "just," for example, is repeated until it becomes positively painful for one to whom literary style is at all a matter of feeling. Many sentences also contain awkward repetition of the same word, once or twice indeed with a different meaning attached to it. What, for example, can we say of a sentence beginning, "There is a sense, it is true, in which the ethical sense"? (p. 42). But there is no use in giving the list of awkward expressions which lies before the reviewer. Protest must be made also against a quite needless use of foreign words. Professor Baldwin has given us an example of German thoroughness—why not say thoroughness as well as Gründlichkeit?—and this is far better than perfection of style with superficiality. The best traditions of writers who use the English language, however, combine style with thoroughness, and we must take care that we do not fall into that neglect of literary form against which a reaction, even among German scholars, is noticeable.

Professor Baldwin's work is one which no student of society can afford to neglect. It is one which will prove helpful to the teacher, and must profoundly influence the preacher who grasps its import. It gives us a social philosophy which makes possible a rational and helpful discussion of the problems of the day. Professor Baldwin has already accomplished great things, and from him still greater things may be expected in the future.

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### LITERATURE

As this chapter is a review of Professor J. Mark Baldwin's work bearing the same title, a bibliography scarcely seems to be needed. It may be mentioned, however, that in a little work called "The Story of the Mind," New York, 1898, Professor Baldwin has attempted to present his views in a popular form.

## CHAPTER XIV

### THE POSSIBILITIES OF SOCIAL REFORM

#### I. *Socialism and Social Reform Contrasted*

WHEN we approach with serious purpose the social problems of our day, there is one question which must, first of all, confront us, provided we have the power of thinking clearly and logically and are fairly well informed concerning the movements of our own time. The question is this, Is our social order essentially sound, has it vitality and capacity for improvement, or is it essentially unsound so that it must give way to a new social order? If there is to be a new social order, there is every indication that it will be socialism. By this it is meant that the only plan of a society, having large and widespread support on the part of thinkers of capacity, which it is proposed to substitute for existing society, is socialism. The alternative which confronts us is, then, socialism or social reform. It is important that we should make up our minds concerning this alternative, because, as we adopt the one belief or the other, our line of conduct will be very largely shaped. This antagonism between socialism and social reform is well brought

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out in the following quotation from an editorial in *Boyce's Weekly* for March 4, 1903. It is written by Mr. A. M. Simons, one of the ablest American socialists:—

“Among those who seek to patch up and tinker our present society few phrases are more frequently used than that of ‘special privilege.’ This phrase is used to show that the abuses of our present society are specific, not generic, superficial, not inherent. It implies that if certain definite excrescences were peeled off, a smooth and beautiful social organization would be revealed beneath. With a little sticking plaster here and there, and a few patches judiciously applied, or, at the most, a few minor amputations performed, the social organism would be restored to health.

“With such people monopoly and extortion are always due to some **special** privilege, some **peculiar** advantage, some **abnormal** situation. The ownership of land and franchises is particularly regarded as a ‘special privilege.’ Because the number or extent of these things is limited, therefore, they say, ownership confers a monopoly. This limitation, it is claimed, is peculiar to these few things and does not extend to the general mass of industrial capital.

“Here is where the socialist parts company with them. He claims that instead of there being several different special privileges for a few individuals, there is one great ‘special privilege’ for a whole social class. There is only just so much land

needed, say the defenders of special privilege ; there are only just so many franchises to be granted, he continues ; when those have been taken there is no chance for any one else to compete. True enough, but is this a special or a general rule ? In each market to-day, whether that market be the neighborhood or the world, the firm which can produce the cheapest is the only one which can live, is, moreover, the only one which is needed. Another one in the field is a nuisance, a duplication of effort, a waste of human energy. The trusts are seeing to it that this waste is abolished. Therefore, when once private ownership has been obtained in this one industry, whether it be land, mine, railroad, telegraph, iron mill, cotton factory, or grocery store, it constitutes a 'special privilege' for the owner against all the rest of the world. . . .

"If a half-dozen great department stores or finally one will supply the city of Chicago and fill the demand in the retail trade at a less cost of human labor than a thousand, then, when once the private ownership of these few stores is determined, that ownership becomes as much a special privilege as does the ownership of the street cars or telegraph.

"In both cases the worker has exactly the same **theoretical right** and is prevented by the same **practical impossibility** of ever owning the thing with which he works. Nor is it any answer to say that the laborer could still work with simple tools if these special privileges were removed. The laborer created the complex, improved, and more



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productive tool. Production with anything but these is a criminal waste of human energy. To sentence men to use the more imperfect tools in order that a class of parasites may draw a revenue from the ownership of the more perfect means of production is simply to drive the laborers from the higher civilization their toil created to a lower and more painful social stage in order that the luxury of a ruling class may not be disturbed.

“So long as the tools of production are so complex that it takes thousands of men to use them, private ownership of those tools gives a ‘special privilege’ to the owners as opposed to those who must use them and cannot own them.

“This is the ‘special privilege’ at which the socialist is striking. He sees it can be abolished only by making the ownership correspond with the use, that is, by making the ownership of the collectively used tools also collective.”

It is the present writer's belief, on the contrary, that our existing society has great vitality, that it is sound in its most essential elements, that a widely diffused ownership of wealth is practicable, and that the work which is required is improvement along existing lines. What is proposed in the present chapter is to show, so far as may be in brief outline the needlessness of socialism, on account of the strength, actual, latent, and potential, of the existing socio-economic order; and when we have said the needlessness of socialism, we have said also the hopelessness of socialism, inasmuch as to

an ever increasing extent society in its evolution is purposeful; or to express it in other words, is governed by self-conscious social action. We are shaping society in order to accomplish ends which we have in view, and we do not change fundamental institutions which are even tolerably satisfactory. It is proposed also to point out the lines of improvement, so that it may be seen what direction intelligent effort for social reform must take. This chapter will then to some extent be a résumé of suggestions for reform already made as well as a conclusion of this book.

It may be appropriate first to speak about an inclination which one can discover, now and then, to preach to the cultured, to the well-to-do, and especially to the rich, a stronger kind of doctrine than one would like to preach to wage-earners, in order, if possible, to urge the power-holding classes in the community to use their resources for social amelioration. Sometimes, in fact, we read addresses and articles which evidently aim to frighten the wealthy into a righteous course of action. Indeed, it may be said that in the addresses of Christ the power-holding classes were arraigned in scathing terms for the selfish use of their power. Ruskin used strong language, but his books evidently were, for the most part, designed to reach especially the educated and wealthier classes in the community. At times the writer has felt — and has perhaps given expression to the feeling — that it would be a good thing if all those in the

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classes which we designate as well-to-do and wealthy could have a thorough course in socialism, while, at the same time, measures should be devised whereby the classes in the community who are less well circumstanced could be taught that industry, the prudent use of resources, and frugality are essential conditions of individual and social well-being. Yet the more he thinks upon it, the more clearly does it seem to him that it is impracticable to separate out our teaching, and to label part of it for one portion of the community, and part of it for another portion. Perhaps those who listen to our papers may sometimes take them as medicine; but we cannot, nevertheless, deal them out as prescriptions, handing one to the wage-earner and saying, "This is your medicine!" and another to the capitalist, saying, "This is yours!" and another to the preacher, saying, "This will do you good!" and still another, perhaps, to the law-makers with the assurance that, "This will prove beneficial for you!" What is said in these days goes forth upon its mission in all directions. Our words are like thistle-down carrying seeds, which may lodge no one can tell where. And this is the case even if the words make up addresses and papers which are in themselves heavy!

One other thought occurs in this connection, and that is this: an exaggerated doctrine, holding forth hopes which can never be realized, enlists the generous-minded to take up a mistaken cause,

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and the result is seen, sometimes in disappointment and wholly or partially wasted lives, and at other times in reaction and the abandonment of moderate measures which would be successful. In a little book, giving a sketch of the life of John Swinton, these words are found: "The way of the reformer is hard, very hard. The world knows little about it; for it is rarely that a reformer shows the scars of the conflict, the pain of hope deferred, the mighty waves of despair that wash over a great purpose."<sup>1</sup>

The conclusion is one which is very obvious; namely, that it is important before all audiences to speak the exact truth, in words of soberness, and avoid arousing or stimulating in any way Utopian anticipations.

Without attempting to distinguish between various phases and kinds of socialism, the following is offered as a definition which states socialism in its essential elements: "Socialism is that contemplated system of industrial society which proposes the abolition of private property in the great material instruments of production, and the substitution therefor of collective property; and advocates the collective management of production, together with the distribution of social income by society, and private property in the larger proportion of this social income."<sup>2</sup> Socialism may include more than is stated in this definition, but hardly less.

<sup>1</sup> "Career and Conversation of John Swinton," p. 53.

<sup>2</sup> Ely's "Socialism and Social Reform," p. 19. Socialists differ

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Scientifically, as already stated, the alternative of socialism is our complex socio-economic order, which is based, in the main, upon private property in capital, that is to say, the instruments of production, together with competition in industry. Alongside of competition, however, we have combinations aiming to restrain competition, and we have the beginning of the social regulation of combinations, which will undoubtedly be carried farther in the general interest. Alongside of private production we have a limited amount of governmental production. Our various governments — national, state, and local — are clearly destined to extend their productive activities, particularly in the field of monopolies. No one who has eyes to see what is going on throughout the regions of industrial civilization can well doubt this fact. Then we have, too, a distribution, through governmental agency, of a large amount of the wealth produced. A considerable percentage of the population, even now, consists of those who hold public offices of one kind or another, and whose salaries are de-

among themselves as to the way socialism is to be attained, and generally they say that it will be the outcome of great evolutionary social forces. It is especially as to the extent to which these forces are the result of conscious effort that differences appear. Some believe that the extent of purposeful social activity is found in guidance of social forces so as to expedite and make comparatively painless the great impending changes ; others lay more emphasis upon intelligent, well-directed activity, as a cause of social movement and transformation. Into all this it is not proposed to enter at present.

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terminated by law, and then we have also the activities of government in education and charities, which dispose of a very appreciable proportion of the wealth annually produced. Our social system, then, is a highly complex one, which has been in process of development for centuries. This system, with all its potentialities, is the scientific alternative of socialism.

The practical alternative of socialism, as also already intimated, is social reform and its possibilities. What is being done, and what can be done, to improve our existing socio-economic order? This is the concise, practical question which confronts us.

Our complex social order presents difficulties which are obvious enough, but to the student of the evolution of industrial society they seem small as compared with the difficulties which stand in the way of the inauguration of socialism, — certainly in any time which is near enough so that we need concern ourselves particularly with it. As our present system is a highly elaborated one, and is a product of centuries of growth, so beneficial changes which have taken place have also been changes which have been gradually evolved. This is apparent enough when one turns aside from glittering generalities to concrete study of the history of society. Perhaps no more striking illustration could be offered than the efforts which have been made to emancipate our colored brothers. It seemed at one time possible, to us who live in the North,

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to free them by one bold stroke. Many thought that the problem of freedom was solved by the Civil War. A generation has passed since that war, and we are still working upon this problem. Turning aside, however, to smaller matters, we may take up a concrete, economic problem, like irrigation. When we examine the progress of irrigation institutions in their details, we see how improvement is accomplished step by step, by work which continues year in, year out. We see also how carefully each step must be guarded in order not to produce disastrous consequences, showing themselves in blighted fortunes and ruined lives. Perhaps this explains the conservatism of our judges, whose very calling leads them to study in concrete details the problems of society. It may also offer an explanation of an excessive conservatism which one sometimes finds in the judges, who, inasmuch as they are almost entirely occupied with concrete details, often overlook the force of general principles, and their power gradually to compel details into conformity therewith.

We have, then, given us our Scylla and our Charybdis. There are those who would timidly let things alone, feeling the difficulties in the way of improvement, and sometimes, on the part of the less generous-minded, selfishly dreading change. There are others who would rashly overthrow what we have already accomplished and begin a radical reconstruction of society. Both courses are alike dangerous. There are all the possi-

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bilities of reform which have been suggested, and there is the great progress which has already been made. But emphasis is to be laid upon the fact that things are not accomplishing themselves. When we study at all carefully the history of the last century, we shall see that every step forward has been the result of an immense amount of hard work and self-sacrifice. It would seem, moreover, that our present society rests upon an increasingly secure basis in proportion as improvement takes place. If we let things alone, we shall have an evolution much like that which the great socialists, Marx and Engels, predicted, an evolution going from bad to worse until we approach a great catastrophe. But the fact is, that there is no prospect of our letting things alone. We are trying, — we must increasingly try, — by intelligent and conscious effort, to guide the course of society. Can it be without significance that so many dangerous movements have come from despotically governed Russia, and that in Switzerland, which in many particulars leads the world in social reform, socialism should be a comparatively weak political force?

It has already been stated that the industrial question, which overshadows in importance all other questions, is this: Is industrial evolution naturally leading to the domination of substantially all the great fields of industry by monopoly? This is the position of the socialist, and if it is correct, then the coming of socialism seems inevitable.



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A closely related subordinate question is this: Are there irresistible economic forces at work which are leading to the concentration of the ownership of wealth in a few hands? We have already seen that these two questions are not, by any means, entirely the same, because the concentration of production does not always mean the concentration of the ownership of wealth.

As to the first main question which has been stated, it does not seem that, when we examine carefully the economic forces at work and their outcome, so far as we are now able to perceive this outcome, we are by any means forced to accept the position of the socialist, — which, by the way, is also the position of some trust advocates, — that our present industrial evolution is bound to terminate in general monopoly. We are at first inclined to think so, perhaps, when we examine a few of the most striking phenomena of modern times, like the formation of the great steel trust; but a more careful study of the industrial field, of the forces at work therein, and of the possibilities of social control, is very likely to lead to a different conclusion.

Let us very briefly examine the social forces which are at work, either concentrating or diffusing the ownership of wealth. If it is true that, necessarily, there is going forward a concentration of property, that the rich are necessarily becoming richer, that wealth is passing into fewer and fewer hands, this gives us a strong reason for believing

that those are right who hold to the fact that every field of production must soon be controlled by monopoly. If, on the other hand, we find that the forces which make for diffusion are dominant, we may believe that it is quite possible for society to control the forces of production.

Dr. Charles B. Spahr's treatise on "The Distribution of Wealth in the United States" has already been examined in another connection in this work. In Chapters I and II he discusses in an instructive manner the forces which have been in operation in England and the United States to concentrate wealth. Possibly he may exaggerate the present situation, as his critics say that he does. One of the ablest of these critics is the late Professor Richmond Mayo-Smith. In examining Professor Mayo-Smith's criticism of Dr. Spahr in "Statistics and Economics," it is striking that, although he expresses himself in somewhat different language, and draws somewhat different conclusions, yet, after all, in the main his statements of facts do not show that there are necessarily substantial errors in Dr. Spahr's conclusions.

Dr. Spahr describes the forces which, during the reign of George III (1760-1820), operated to concentrate the wealth of Great Britain. He shows us that somewhat similar forces operated in this country during our Civil War (1861-1865) in the direction of concentration of wealth. He mentions particularly three great causes which were the beginning of vast fortunes and of the concentration

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of a very appreciable proportion of the wealth of the United States in a comparatively few hands. The three forces which he mentions are, first, monetary legislation; secondly, our methods of taxation and our financial legislation generally; and, thirdly, the methods of railway construction and railway financiering. While here and there the present writer would give a different interpretation of these forces, he agrees in the main with what Dr. Spahr says concerning them. Dr. Spahr discusses to some extent those forces which have operated in England and in the United States in the direction of the diffusion of wealth, but so far as this country is concerned, it seems safe to say that the forces which are in operation at the present time making for the diffusion of wealth are not so fully discussed as could be desired.

Beginning our discussion at the point where Dr. Spahr leaves off, five further main causes of concentration of wealth may be mentioned.

### II. *Forces operating in the Direction of Concentration of Wealth*

1. The unearned increment of land, especially in cities. There is no doubt that this is a real force. Dr. Spahr, himself, however, has shown that it is easy to exaggerate the unearned increment of land.<sup>1</sup> He has called attention to the fact

<sup>1</sup> In editorials which appeared from time to time in the *Outlook*; especially in those discussing the "Single Tax" a few years ago.

that landowners in this country very generally pay large sums for improvements, in special assessments, and that what seems to be unearned increment is frequently offset by special assessments. In opening up new sections in cities, also, the landowners frequently contribute large sums to introduce rapid transit and other improvements, and they in this way perform a real service. Furthermore, it is easy to exaggerate the unearned increment of land through a failure to extend our observations so that they cover the country as a whole. We must not think simply of New York City, London, or Berlin. We must consider the spreading out of cities through the improved means of transportation, frequently going so far as to bring about a fall in land values. The opening up of new sections of cities has in very many places in the United States proceeded more rapidly than the growth of population, and there has been a decrement in land values.

The claim has also been made that the trust movement operates to depreciate land values. Cincinnati has been instanced as a city in which this is particularly the case. The concentration of production and the weakening of competition lessen the need for office buildings, and make it less important that expensive offices should be maintained, located in conspicuous positions, with costly devices designed to solicit business and draw it away from competitors. Manifestly, we cannot go into this important topic exhaustively,

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but one who has travelled extensively in the United States, and has inquired into land values in cities, knows that the depreciation of land during the past twenty years has been very remarkable and very widespread. This applies particularly to land in small cities. All those who live in the East know that agricultural land values have fallen very greatly in large sections of our country. On the other hand, when we travel in the West, we notice in many places an enormous increment in agricultural land values. On the whole, it seems that we must admit that the unearned increment of land is a real force, although the present author believes that private property in land has advantages which greatly outweigh its disadvantages.

2. The trust movement is operating in its earlier phases at least in the direction of concentration. The processes which accompany the formation of trusts have brought vast wealth into a few hands, and have, in the interests of the comparatively few, mortgaged future wealth production. These evils may in a measure be corrected, but so far as we can now see it is clear that the trust movement has up to the present been a force in the direction of concentration.

3. In the third place, war, whenever it comes, carries with it forces which bring wealth to the few rather than the many. It is not practicable to enlarge upon the economic conditions of war in this place. A careful study of modern warfare

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will, however, amply substantiate the position that war almost invariably, perhaps invariably, enriches the few rather than the many. It creates a demand for capital rather than for labor, and it introduces a speculative element into business which is disastrous to the economically weak, and enriches the economically strong. If we follow out in detail the economic effects of our Spanish War, illustrations of this position will be found, although, on account of its brevity, it did not have very large effects as compared with our Civil War. A careful study of history will show that great inequalities among us were caused by that war, and that many gross inequalities which have arisen since can be traced back to causes set in operation during that war.

4. Arrangements of one kind and another may be mentioned by means of various trust devices to secure the ends of primogeniture and entail. This applies especially to large wealth in great cities, where the number of so-called "trust estates" is very considerable.

So far as it goes, this is a force which operates in the direction of concentration, and one which has alarmed even so conservative a man as Judge John F. Dillon of New York, as is clearly enough seen in his address on "Property," delivered a few years ago before the New York State Bar Association.<sup>1</sup>

<sup>1</sup> "Property: its Rights and Duties in our Legal and Social Systems," an address delivered before the New York State Bar Association, January 15, 1895, by John F. Dillon, LL.D.

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5. Another force operating to concentrate the ownership of wealth may be called economic inertia. According to the principle of inertia, forces continue to operate until they are checked by other forces coming into contact with them. Those who have great possessions find it easy to add to them by a process of accumulation which requires a minimum of sacrifice. On the other hand, there are great dangers in vast concentration of wealth, and one precise danger is that the children, being brought up in excessive ease and self-indulgence, will lack force. Where there is a wise discipline in the family, however, the advantages of great wealth in the further accumulation of wealth can be seen. A teacher in a university has an opportunity to test very frequently the correctness of what is said about economic inertia. Those who do best are, very generally speaking, not the children of the poorest, but the children of those who belong to what we should economically call the middle class, those who must make a struggle, but to whom the struggle is mitigated by accumulations of ancestors and parental care. On the other hand, wealth, where it is wisely used, and is not accompanied by a lessening of energy, is a very great advantage for the further accumulation of wealth to the individual who owns it.

### III. *Forces which operate to diffuse Wealth*

Let us turn our attention now to forces which operate to diffuse wealth.

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1. Education, broadly considered, should be mentioned first of all. There is a pronounced desire on the part of the American people to furnish educational opportunities to all persons in proportion to their capacity to enjoy them. We have, in addition to our private foundations, the state universities crowning the public educational system of the states of the Union west of New York State. We have, in addition, a wonderful free library movement, resting in part upon private gifts, but in most cases supported very largely by public taxation. We have, furthermore, the spread of technical education in the United States. Without entering into further details, it can safely be stated that education, as it is carried on in the United States, operates in a double manner in the direction of the diffusion of wealth : first, it requires large expenditure, which must be taken out of the current income of society ; and secondly, it is favorable to talent wherever found. All this can be enlarged upon indefinitely.

2. Next, mention must be made of the public control of corporations. Lack of such control has been responsible for a large degree of concentration. This applies particularly to railways, but also to other corporations. Work in the direction of public control has made considerable progress in Massachusetts, but, taking the country as a whole, we have scarcely more than made a beginning. The movement in this direction is certain to be carried very much farther.



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3. Changes in taxation are the third item in this enumeration of forces. Taxation, as it has existed in the United States, has been, on the whole, favorable to the few rather than to the many. The author cannot recall any one who, having examined our system of taxation in detail, does not admit that, on the whole, this is true. Changes, however, are going forward in our tax systems throughout the United States, and wherever they have had an opportunity to do so, people at the polls have pronounced themselves very strongly in favor of a changed taxation. So conservative a man as the late President Benjamin Harrison expressed himself very strongly against the injustice of the past, and in favor of changes in taxation which should be more favorable to the many. Whatever our views concerning the propriety of it, when we take a broad survey of the forces at work in the United States, we can scarcely deny that there is a pronounced movement in favor of taxation which will be relatively favorable to the many, and operate in the direction of diffusion of wealth. The taxation of property as it passes from one generation to another by means of inheritance—using the term inheritance in its broadest sense—is one of the most pronounced movements of our day, and has already been discussed.

4. The development of the idea of property as a trust is next mentioned. This takes place chiefly through education of public opinion, but it is perhaps already affecting legislation and judicial de-

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cisions, and is likely to do so to a far greater extent in the future. This idea of property as a true and genuine trust, even in a legal sense, was brought out very clearly in the discussions concerning the coal strike during the summer and fall of 1902.

Especial mention of industrial betterment may be made in this connection. Without making any close calculation, the writer presumes that he may have travelled something like thirty thousand miles in the United States since June 1, 1901. He has examined the industrial conditions with some care, and he has been impressed by the conscientious efforts on the part of employers to improve the conditions of their employees, showing that there is a widespread feeling that the possession of industrial and economic power carries with it a commensurate responsibility to use that power generously. This statement does not imply excessive optimism. In many cases much that is discouraging was found; the gravest kind of abuses still exist, but there was never before so general an effort to remove evils and to improve the conditions of wage-earners. Cleveland, Ohio, is a leader in this particular, and it is noteworthy that in that city the Chamber of Commerce has taken an active part in industrial betterment. The Chamber of Commerce has an "Industrial Committee," with a paid secretary, Mr. W. H. Moulton by name, and it is his particular duty to give assistance to employers in methods of

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industrial betterment. It may also be added that the amount of his salary is contributed to the Chamber of Commerce by a Cleveland woman of wealth.

5. Profit-sharing and coöperation. This means in one way or another a participation of labor in the profits of capital. Both profit-sharing and coöperation have quite narrow limits at the present time, but their extension, so far as practicable, is desirable.

6. Sound currency is next mentioned. This, perhaps, can be considered, as a force bringing about diffusion of wealth, in the negative sense only. The absence of a sound currency is favorable to a concentration of property; a sound currency system is the basis of the operation of other forces in favor of diffusion of wealth. It is perhaps significant that the Fabians, and generally the English socialists, recently have been in favor of what is called with us sound currency. There has been no movement in recent years on the part of socialists in Europe in favor of paper money, or other devices for expanding the currency and depreciating the value of the money unit. Along in the '30's American labor felt that it was a great grievance that it was so often remunerated in paper money which was depreciated and uncertain in its value. The literature of the day shows that there was, to some extent at any rate, on the part of labor leaders at that time a feeling in regard to the poor bank money of that period, sim-

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ilar to that which labor leaders now have with respect to payment in orders on company stores.

7. Public ownership of public utilities is a further force. As private ownership has been an avenue through which property has been concentrated, so public ownership operates in favor of the diffusion of wealth. This can be clearly seen when we compare the post-office in the United States with the private postal system on the continent of Europe, which lasted for centuries, and the last vestiges of which were wiped out only a generation ago. This European private postal system resulted in the immense concentration of wealth in the great family of Thurn and Taxis. On the other hand, we may compare the concentration of wealth in the United States, which has been the result of private ownership of railways, with the relative diffusion of wealth in those countries in which railways have been publicly owned and publicly managed. We do not now enter into a discussion of the pros and cons of public ownership *versus* private ownership. A movement in favor of public ownership is observable, and, whatever its advantages or disadvantages, it operates in the direction of wide diffusion of wealth.

8. Labor organizations. Without entering into any controversy concerning labor organizations, we may say, that if the very able Report of the Industrial Commission brings out any one thing clearly, it is that labor organizations are a force making for diffusion of wealth.

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9. Institutions, especially in the interest of the wage-earning and economically weaker elements in the community. Labor bureaus may be mentioned, also free employment bureaus; also legal aid societies of one kind or another, which help the economically weaker elements in the community to secure their rights.

10. Saving Institutions and Insurance. Building societies may be mentioned. Insurance, so far as it goes, helps remove the contingencies in life which are the great evil for the economically weak, and also for the upward-struggling masses.

These forces show, in the main, it may also be maintained, a changed attitude toward the state which is favorable to the weaker elements in society, and must tend to a greater or less extent to diffuse wealth.

To an ever increasing extent, as so frequently stated, society is governed by the operation of self-conscious social forces. There is a dawning self-consciousness of society, and there is clear evidence of a determination on the part of society that the advantages of civilization shall be widely diffused, although there is no evidence of a widespread desire for equality of possessions. The power of society to accomplish its purposes is vast, and the enumeration under ten heads of forces making for the diffusion of wealth is striking evidence of the operation of the social conscience.

Evidently there is need of action in harmony with the existing socio-economic order to bring

about the highest measure of general prosperity and a wide diffusion of economic well-being. The work to be done is abundant, and there is no lack of opportunity for the strenuous life.

## IV. *The Participation of the Best Elements in Society a Condition of a Sound Public Life*

One suggestion occurs in this connection. The work is not all public work, but a considerable portion of it is, and it is safe to say that a sound public life is an essential basis for a desirable evolution of industrial society. Is there not some evidence of an inclination to rule out from participation in public life many of the best elements in society? Some say our preachers must take no part in politics because they are concerned with spiritual affairs. It is said that our judges must not take part in political life because they must maintain an impartial attitude with respect to all classes in society. Then it is asserted by many that university professors must abstain from active participation in politics. If the professors are in state universities, it is feared that their activity may be prejudicial to the interests of the universities when matters of appropriation come forward; and if the universities are private foundations, apprehensions are frequently expressed concerning the influence of political activity upon possible givers of funds. We also find business men who hesitate to speak out boldly upon public questions, fearing that they

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may prejudice the interests of their businesses; and occasionally great corporations forbid active participation on the part of their employees in politics. The question may arise, Where then are we to find the men who are to make our public life what it should be? The question is simply thrown out, with the suggestion which naturally goes with it. We need not maintain that preachers should present doubtful decisions concerning concrete measures in their pulpits. It is difficult to see how, with propriety, a preacher can in his pulpit advocate the single tax, or socialism. He may advocate social righteousness, however, and there is an abundance for him to do in this direction without the advocacy of doubtful measures. The evils of child labor, and what that implies from the point of view of an all-embracing Christian love, may be instanced. Should not the preacher, however, outside the pulpit be at liberty to advocate whatever causes he pleases?

There is quite prevalent a point of view concerning academic teachers which would seem to be entirely erroneous. Some say the professor may advocate what he pleases in his classroom, but he may not enter freely into politics. Is not the precise reverse true? Is it not an impropriety when the professor makes himself, in the classroom, an advocate of specific measures of reform? The professor in his classroom has no business to be a partisan. In his classroom it is his function to present scientific truths. It is science which

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occupies, or should occupy, him in the classroom. But outside the classroom should he not be free to advocate specific reforms, to join a party and enter into public life? The activity in public life of the professors in Germany is one of the most wholesome influences in that country.

We must vindicate true freedom for all. What we want is to associate all the best forces in the community to make this world of ours an increasingly good world—a better and better world for the children of men during their sojourn here, convinced that, whatever the future beyond this world has in store for us, we shall be best prepared for our further life by the faithful discharge of our duties to our fellows in this present world. The present duty of each one is to contribute his full part, in accordance with his strength, to individual and social improvement.

## LITERATURE

The subject of the present chapter is so wide a one that particular references seem scarcely called for. Economic literature in general discusses the subject. It is also discussed in connection with the treatment of particular problems. Professor Fernow's work, "Economics of Forestry" (New York, 1902), deals with economic and social reform in the matter of forestry, while the significance of irrigation in the arid regions is brought out by Professor Elwood Mead's "Irrigation Institutions" (New York, 1903). These are mentioned merely



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as illustrations. Another illustration is afforded by taxation and tax reform. The subject is discussed by Professor Henry C. Adams in his work, "The Science of Finance" (New York, 1898). It is obviously not desirable to go through all the special treatises dealing with the possibilities of social improvement in the various directions which man's associated activity takes. Works which discuss socialism very generally discuss the subject of social reform, the advocates of socialism taking the position that social reform to be effective must mean socialism, while the opponents of socialism believe that social reform is compatible with the maintenance of the present social order. This is a view which the author presents somewhat more fully, and also somewhat differently, in his work, "Socialism and Social Reform," than in the present chapter. Such works as Washington Gladden's "Applied Christianity" (New York, 1892), and "Tools and the Man" (New York, 1893), are valuable guides inasmuch as their author, along with the ardent desire for social improvement, has a trained and well-balanced mind.

Those who have an intellectual or practical interest in social reform must never forget the importance of dealing wisely with the lowest classes in the community. This subject has received treatment in the chapter on "Social Progress and Race-Improvement." Among the many excellent works which could be mentioned only two will be named in this connection: —

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WARNER, AMOS G., *American Charities*. New York, 1894.

This work by the late Professor Warner may now be called a classic. It treats the entire subject in a philosophical, thoroughly sane, and practical manner.

WINES, FREDERICK HOWARD, *Punishment and Reformation*.

New York, 1895. This is the work of an expert in the subject with which it deals.

Mr. John A. Hobson's book, "The Social Problem" (London and New York, 1901), is a stimulating work which fearlessly advocates thorough reform, but does not go so far as socialism. Last of all mention may be made of Professor John Graham Brooks's recent work, "Social Unrest" (New York, 1903), which is a discussion of the conditions of social reform by one who has spent many years in travel and personal investigation. Professor Brooks tells us what he himself has seen and heard in an exceedingly interesting and illuminating manner.



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